Leadership in Communications

BCE Inc.

Annual Report 1995

Integrated strengths and expertise

The telecommunications business is being redrawn at electrifying speed. More advanced products, more sophisticated services. Wider markets and narrower focus. And an irony of our times: unprecedented specialization and the need for specific skills to converge.

At BCE, we believe the telecommunications company of tomorrow must evolve from a broad base, from mastery of many skill sets. The scope of telecommunications today is so great, the existing infrastructure so vast, that there is no one technology solution.

At the heart of the issue is the customer. Customers want simplicity, whether in the global multimedia demands of large corporations or the daily needs of the average citizen. They want the wonders of technology distilled through a single, simple, seamless point of access.

BCE IS CANADA'S GLOBAL COMMUNICATIONS COMPANY, WITH ASSETS IN EXCESS OF $38 BILLION AND OPERATIONS IN 90 COUNTRIES AND TERRITORIES.

BCE holds more cards than most. It is one of the most diversified of the world's leading telecom companies. We're in the services business, in equipment, in technology, in directories, in networks wired and wireless, in satellites. And, we have a reputation built over more than 100 years.

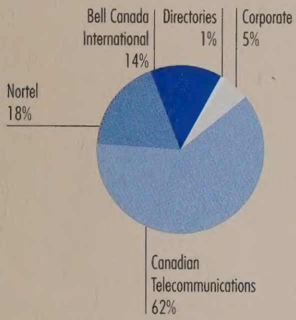
Since 1993, we have focused exclusively on having world-class capability in synergistic areas of expertise. In markets where we can, we already integrate these platforms to competitive advantage. At home, and in other regions, where reality has outrun regulation, we are in position and are actively pursuing the development of these markets.

The traditional cornerstone of our business, voice communications, today is but one element of a broader need. Consequently, we have set a course to build the information highway, bringing multimedia communication to homes and businesses across the nation. And linking them to the world.

The telecom business is now firmly global, with huge opportunities at stake. The control and integration of our own world-class resources are keys to our success on this new plane. In this report, we offer examples of how we continued to advance our strategy in 1995, integrating our strengths and expertise to serve our customers better. And in so doing, to build long-term value for our shareholders.

Financial Highlights

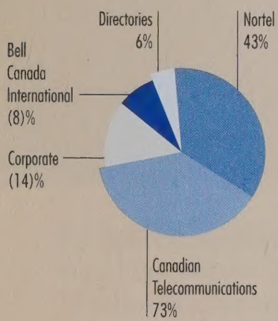
INVESTMENTS AT EQUITY



($ millions, except per share amounts)	1995	1994	1993
Revenues	**24,624**	21,670	19,827
Earnings from continuing operations	**782**	1,178	159
Net earnings (loss)	**782**	1,178	(656)
Net earnings (loss) applicable to common shares	**695**	1,086	(750)
Net earnings (loss) per share	**2.23**	3.52	(2.44)
Operating cash flow	**3,879**	4,049	3,684
Operating cash flow per common share*	**12.17**	12.81	11.69
Dividends paid per common share	**2.72**	2.68	2.64
Return on average common equity (%)	**7.0**	11.1	(7.1)

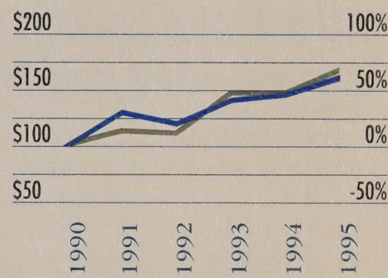
*after payment of preferred dividends

CONTRIBUTION TO BCE NET EARNINGS



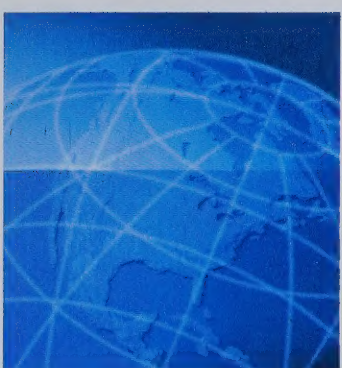
SHAREHOLDER TOTAL RETURN

The cumulative five-year return on BCE common shares was 58% compared to the return on the Toronto Stock Exchange 300 Composite Index of 67%, assuming reinvestment of all dividends.



December 31, 1990 = $100
BCE
TSE 300

Contents



1995

A DETACHABLE INSERT DESCRIBING BCE'S GROUP OF COMPANIES IS FOUND AT PAGE 16

Leadership for the future

We face the future confident that the BCE group is focused, well-organized and led by highly skilled and motivated individuals. By capitalizing on our integrated strengths and expertise, we leverage our position in the many markets we serve to remain at the forefront of our industry.

For BCE, 1995 unfolded much as we expected. Bell Canada began a major restructuring; Northern Telecom (Nortel) continued its worldwide growth in sales; BCE Mobile substantially increased its subscriber base; and, Bell Canada International (BCI) continued its expansion into new growth markets, with promising investments in Brazil, China and India.

BCE reported net earnings of $782 million on record revenues of $24.6 billion. As had been forecast, net earnings applicable to common shares at Bell Canada fell to $502 million. However, the company successfully completed the first year of its three-year transition plan, having met or exceeded corporate objectives, while posting consistent quarter-over-quarter gains in net income.

Strong results were posted by Nortel, with record revenues and order input. BCE Mobile recorded a 32 per cent growth in customers and a 23 per cent growth in revenues. Tele-Direct's 1995 earnings contribution increased by 11 per cent over 1994, due largely to its recent investment in Hong Kong.

BELL TRANSITION PLAN

It is Bell's goal to become even more focused on the customer, providing service in a more streamlined and effective manner, at less cost.

A three-year transition plan designed to achieve this goal and return Bell Canada to traditional earnings levels was announced March 27, 1995. At that time, Bell stated it would spend $1.7 billion as it reviewed its entire business operation and redesigned its business processes in order to serve customers faster and more efficiently.

Bell's transition plan calls for a workforce reduction of some 10,000 people from its telecommunications operations over the three-year period. The company finished the year with 2,000 telecom employees fewer than expected.

While the need for fundamental re-organization and downsizing is an unfortunate imperative for many large corporations today, Bell has adopted an innovative and considerate approach to the challenge. Bell's "Career Crossroads" program offers specialized services to staff. The company has worked closely with employees, including union officials, to develop employment alternatives for staff.

Despite facing the continuing challenge of intense long distance competition, a weak economic environment and a cumbersome regulatory framework, Bell Canada remains steadfastly committed to its three-year transition plan. Given first-year results, we believe Bell's goals are realistic and achievable.

◀ BCE Chairman, President and CEO, L.R. Wilson (standing) with the CEOs of the company's five main subsidiaries (clockwise from Mr. Wilson's left) Jean Monty (Nortel), John McLennan (Bell), Robert Ferchat (BCE Mobile), Tom Bourke (Tele-Direct), and Derek Burney (Bell Canada International).

REGULATORY DEVELOPMENTS

In late December, Bell received an encouraging decision from the federal cabinet that demonstrated a growing understanding by the government of the need for a more balanced regulatory environment. Cabinet supported the petition of Bell and other Stentor companies to modify one important aspect of an October 31st decision by the Canadian Radio-television and Telecommunications Commission (CRTC) on the splitting of the rate base and rate re-balancing.

The CRTC decision had ordered decreased long distance prices to offset the granting of increased local rates. Bell and the other Stentor companies argued that since long distance services were being offered competitively, and were no longer subject to rate-of-return regulation, long distance prices should be determined by market forces, rather than by the regulator. The federal cabinet agreed.

In the coming year, we will continue to work with government and regulatory officials to address other regulatory and policy issues that preclude full and balanced competition in all areas of the communications industry. It is clear that Canada must maintain a strong industry at home if it is to be equipped with the necessary tools to forge its own path along the global information highway.

THE SCOPE OF OUR OPERATIONS

We believe BCE is unique in the telecommunications industry. BCE is a player in virtually all aspects of the business: from local and long distance communications services at home and around the globe, to home entertainment services via cable and satellite, to directory services, multimedia services, manufacturing, research and development and the construction of vast telecommunications networks, both private and public.

The strengths and expertise found in such diversity make our operations more effective and better equipped to generate value for our shareholders.

BCE IS UNIQUE IN THE TELECOMMUNICATIONS INDUSTRY.

For example, BCI is deploying BCE's wireless expertise and Nortel equipment to build a fast-growing Colombian cellular company. And we see the benefits of integration in our unparalleled ability to export our expertise to companies such as Bell Cablemedia plc in the U.K., and then repatriate that expertise when market conditions at home require it.

PROSPECTS FOR FUTURE INTEGRATION

We believe that changes are in the offing which will further our goal of integration. We know that customers want value, choice and flexibility. Bell could provide just that if regulation in Canada permitted the offering of a package of services ranging from cable and basic telephone to mobility services such as Personal Communications Services (PCS) and cellular and enhanced call management features.

As it now stands, however, regulations draw artificial barriers around technologies. These barriers pose a serious roadblock as we seek to meet the needs of our residential and business customers.

Bell has one of the most respected brand names in the country – goodwill that has been created through decades of high-quality and reliable service. Bell should not be prevented from capitalizing on its traditional strengths by a regulatory and policy framework that is unsuited for today's market realities and that is out of touch with the desires of customers.

We shall continue in 1996 to state our case with both policy makers and regulators to ensure we can serve existing and potential customers in an openly competitive market.

CANADA MUST HAVE FINANCIALLY SOUND, WELL-MANAGED AND FORWARD-LOOKING TELECOM COMPANIES AT HOME, WHICH ARE ALSO EQUIPPED TO MAKE STRATEGIC FORAYS INTO EMERGING INTERNATIONAL MARKETS.

MANAGING FOR THE FUTURE

The determination to explore and succeed continues to be a hallmark of our senior management team. By combining a uniquely broad spectrum of skills and insights in telecommunications, BCE companies are breaking down barriers to open new markets and services.

Nortel, for example, has in a few short years, quickly rebounded from record losses caused by write-downs and restructuring and other costs and is re-focussing itself as a profitable and dynamic player in the global telecommunications market.

There has been a dramatic growth in revenues and profitability at BCE Mobile which has effectively managed explosive demand for its services. The company, as part of Mobility Canada, is one of four which has been granted a Canadian PCS license.

BCI has been successful in creating value for our shareholders and expanding our global presence, offering a range of products and services in a select group of high-potential foreign markets.

Activities at Tele-Direct – such as the employment of CD-ROMs and the Internet to offer new services, and its own international expansion in emerging markets – are designed to complement its core domestic directories business.

And finally, there are early indications of Bell's success in its strategy to restructure many of its operations and business practices, all the while continuing to explore new markets, new services, new technologies and to provide service excellence.

Because we can integrate our strengths and expertise, the members of the BCE group are equipped to build solid game plans for the various elements of our business: plans that are geared to create greater revenues and to increase shareholder value.

TELECOMMUNICATIONS: KEY TO CANADIAN ECONOMY

Telecommunications is a key sector of the Canadian economy in its own right. But it is also a key input to every other economic sector. Canada's ability to compete globally hinges on the scope, reliability and modernity of its telecommunications infrastructure. Canada must have financially sound, well-managed and forward-looking telecom companies at home, which are also equipped to make strategic forays into emerging international markets.

Likewise, Canada must maintain its strong telecom research and development base if it is to become more than a mere purveyor of other countries' technology.

BCE companies such as Bell Canada, Nortel and BNR – the largest private sector research organization in Canada – have historically helped build Canada's reputation for excellence in telecommunications. They are committed to furthering that reputation in the future.

CORPORATE GOVERNANCE

Governance issues, especially as they relate to accountability and independence of board members, are of paramount importance to the corporation. BCE meets all of the guidelines on improved corporate governance issued by the Toronto and Montreal stock exchanges in 1995.

In the company's Management Proxy Circular, shareholders will find a detailed corporate governance section which deals with the composition, independence and mandate of the Board of Directors and also reviews the roles and responsibilities of the various committees of the Board.

HUMAN RESOURCES

A key priority for BCE as a strategic management company is to ensure we have the right individuals in place. We have seen several changes in senior management.

On February 28, 1996, the Board of Directors announced that effective May 7, 1996, Ronald W. Osborne will be appointed president of BCE. Currently executive vice-president and chief financial officer of the company, Mr. Osborne will bring to his new position a broad range of experience and expertise in the communications and broadcasting fields. Before joining BCE in January 1995, he was president and CEO of Maclean Hunter.

In 1995, J. Derek M. Davies, senior vice-president, corporate strategy, retired from the company after a distinguished 26-year career with Nortel and BCE. Mr. Davies was instrumental in developing and executing Nortel's international expansion program. His keen insight into industry trends and technologies was greatly valued.

Mr. Davies has been replaced by Peter J.M. Nicholson. Mr. Nicholson comes to the company with a varied background that includes graduate degrees in physics and mathematics and senior level experience in both the public and private sectors. Immediately prior to joining BCE, Mr. Nicholson was a special adviser to the federal minister of finance.

Charles A. Labarge, vice-president, corporate services, also left BCE in 1995 to assume the position of president and chief operating officer of BCE Mobile. He has been replaced by Peter M. Sharpe. Mr. Sharpe was formerly vice-president of human resources and administration at Redpath Sugars in Toronto, and vice-president of administration for Tate and Lyle, the British-based holding company of Redpath.

TOWARDS TOMORROW

For the coming year, we will continue to focus on our core businesses and to explore more fully the inherent benefits of integration. On an individual subsidiary level:

- At Bell Canada, John McLennan will focus on developing growth opportunities resulting from the convergence of markets, and on encouraging government to deliver an industry policy that will enable all players to compete on an equal footing. As Bell's three-year transition plan continues to gain momentum, the company expects to see improved earnings in 1996.

MANAGEMENT WILL SEEK TO BALANCE GAINS IN THE NEAR TERM WITH THE NEED TO CREATE LONG-TERM SHAREHOLDER VALUE.

- Jean Monty will further Nortel's position as a global provider of telecom networks. His emphasis will be on growing revenues outside the U.S. and Canada towards his goal of 50 per cent of total revenues by the year 2000. We expect Nortel to make significant gains in the area of wireless in 1996 and to continue its penetration of Asian markets such as China and India.

- BCE Mobile is expected to continue its rapid growth under the stewardship of Robert Ferchat. The company will begin laying the groundwork for its new PCS service, with an expected commercial launch by the end of 1996 or early 1997.

- BCI's activities on the global telecom scene, guided by Derek Burney, will focus on growing existing investments and providing sound management for its various start-up operations. With key entries into China, Brazil and India, management will seek to balance gains in the near term with the need to create long-term shareholder value.

- At Tele-Direct, Tom Bourke will continue to focus on new products and value-added services in light of changing markets and technologies in Canada, while seeking new directory opportunities internationally.

At a corporate level, your BCE senior management team will continue to assist our subsidiaries in developing and implementing strategies on both financial and operational levels. Our industry is enjoying a period of unequaled opportunity and growth. We see our role as one of strategically managing our way through a complex and fast-changing environment, bringing to bear the full scope and breadth of our capabilities to deliver both return and value to our shareholders.

And finally, I would like to thank all of our employees, at home and around the world, whose diligence and determination in meeting customer needs ultimately drives our continued success.

L.R. Wilson
Chairman, President and
Chief Executive Officer

February 28, 1996

INTERVIEW

L.R. WILSON RESPONDS TO QUESTIONS FREQUENTLY ASKED BY SHAREHOLDERS AND INVESTORS.

Q What are BCE's major challenges in 1996?

A Our top priority this year is to sustain and expand the successful transformation of Bell Canada into a globally competitive telecommunications company as we approach the 21st century. We are doing this by creating significant efficiencies through our rationalization of facilities and staff, deployment of an aggressive marketing and sales force, and offering state-of-the-art technology and services. Most important of all, we are putting all of our efforts into maintaining Bell's reputation as a quality service provider.

Second, we will have to address regulatory and competitive challenges in Canada constructively. We will focus our efforts on improving the dialogue with government policy makers and regulators, while at the same time expanding the array of packages of products and services that we offer to our customers.

And, finally, we must continue to create value for our shareholders by bolstering the domestic and international operations and performance of all other BCE companies. BCE will continue to support the activities of our subsidiaries, to ensure the appropriate development of expertise and to provide financial support when necessary.

Q What are your expectations from Bell Canada in 1996?

A Bell's 1996 financial targets envisage significant improvement over 1995.

Bell is making excellent progress with its transition plan. At the end of 1995, telecom employee levels had decreased by about 2,000 more than anticipated. Most of this occurred in the last quarter of 1995, so the full impact will be seen in decreased costs in 1996.

On January 1, 1996, Bell implemented its first local rate increase in over 13 years, which should increase net revenues by some $135 million, while continuing to provide Bell's customers with the benefits of some of the lowest rates in the world. Bell will continue to work on the restructuring of local rates in 1996. With local competition looming and the introduction of price cap regulation in 1998, cross-subsidies that exist in the current rate structure must be addressed.

Q What are the implications of convergence for BCE?

A The lines separating various forms of telecommunications services – cable, satellite, wireline, wireless – are breaking down as these technologies converge and many new services are emerging. BCE companies have the competence to provide more efficient packages of these services provided the policy and regulatory environment allows us to do so. We intend to continue to work with the government to develop policies and regulations that will facilitate the broadest possible choice and value for Canadian consumers.

Q How would you assess the growth prospects of Nortel?

A We expect Nortel's revenues to continue to grow at a rate that meets or exceeds the industry average. Growth opportunities are being created by globalization, the information revolution, and the increasing focus on cellular and the new PCS technology, in which Nortel is a market leader.

Telecommunications deregulation around the world will generate growth opportunities for Nortel as the communications sectors converge. Additionally, in many parts of the world, developing countries are only in the early stages of building their communications infrastructure which will provide further impetus to growth.

New technologies developed by Nortel have now become widely accepted: products such as ATM switching and SONET/SDH are a significant step ahead in the development of the world of broadband communications. Nortel has been recognized as a world leader in this developing market.

Q How are BCE/BCI's international investments creating value for shareholders?

A BCI's objective is to deliver value through high-growth, high-return investments. In the past year, BCI added investments in China, Brazil and India. While new businesses in emerging markets entail start-up costs, they also hold the potential for substantial growth. BCI has already demonstrated tangible value from its investments, notably the $151 million gain recognized in 1994 at the time of the initial public share offering of Bell Cablemedia. I am confident that, through its prudent balance between developed and emerging markets, BCI will continue to generate real value for our shareholders.

Being active in global markets allows us to hone our skills and improve our competitive edge throughout the corporation.

Q How will PCS impact traditional telephone and cellular operations?

A Telecommunications service opportunities are expanding rapidly, and PCS provides another option available to customers, rather than a replacement for existing services.

Cellular services will remain the backbone of our wireless operations until well past the year 2000. PCS is expected to be offered initially in high-density urban areas, thus the demand for the wide area calling capabilities of cellular is expected to remain high. In the United Kingdom, for example, the cellular market was actually stimulated by the introduction of PCS through greater awareness of mobile services.

Q Why did BCE not increase its common share dividend this year?

A The company's management and Board of Directors felt it imprudent to increase the dividend in the early stages of the Bell Canada transition plan. The company's ability to maintain and eventually increase the dividend depends on the success of the Bell plan and on the corporation's achievements in other areas. Dividend policy is, of course, subject to periodic review. In any event, we will re-assess our policy toward the end of the Bell transition plan.

Principal Subsidiaries

Bell Canada

- Net income applicable to common shares and return on average common equity were in line with expectations.
- Revenues increased 1.5% to $8.2 billion.
- Operating cash flow decreased by 7.3% while free cash flow increased by 67.9%.

FINANCIAL HIGHLIGHTS

($ millions, except per share amounts)	*1995*	*1994*
Consolidated revenues	**8,183**	8,066
Consolidated net income applicable to common shares	**502**	721
Per cent return on average common equity	**6.7**	9.3
Consolidated operating cash flow	**2,459**	2,653
Consolidated free cash flow	**(44)**	(136)
Telecommunications contribution to BCE earnings per share	**1.45**	2.17

Northern Telecom

- Revenues increased by 20.5% to $14.6 billion.
- Order input increased by 24% to $15 billion.
- Net earnings applicable to common shares were $638 million or $2.51 per share.
- Revenues from customers outside the U.S. and Canada accounted for 39% of total consolidated revenues.
- Research and development expense increased to $2.2 billion or 14.8% of revenues, primarily driven by increased investments in the Wireless, Enterprise, and Broadband Networks portfolios.

FINANCIAL HIGHLIGHTS

($ millions, except per share amounts)	*1995*	*1994*
Revenues	**14,626**	12,137
R&D investment	**2,165**	1,578
Operating cash flow	**1,156**	1,009
Contribution to BCE earnings per share	**1.07**	0.94

Bell Canada International

- Financial impact of continuing network build-out in line with expectations.
- Proportionate share of EBITDA (earnings before interest, taxes, depreciation and amortization) in underlying operations rose 38% to $252 million.
- Most BCI operations on target to be cash flow positive in 1996.

FINANCIAL HIGHLIGHTS

($ millions, except per share amounts)	*1995*	*1994*
Revenues	**223**	138
Proportionate share of EBITDA in underlying operations	**252**	183
Investment base	**2,078**	2,085
Contribution to BCE earnings per share	**(0.21)**	0.52

THE YEAR IN REVIEW

BCE Mobile

- Net income increased from $37 million in 1994 to $51 million in 1995, an increase of 39%.
- Revenues were up 23% to $781 million in 1995 compared with $636 million in 1994.
- In January 1996, BCE Mobile completed the sale of its investment in Clearnet Communications Inc., and as a result, will report an after-tax gain on the sale of some $51 million in the first quarter of 1996.

FINANCIAL HIGHLIGHTS

($ millions, except per share amounts)	*1995*	*1994*
Revenues	**781**	636
Operating cash flow	**213**	184
Contribution to BCE earnings per share	**0.10**	0.07

Tele-Direct (Publications)

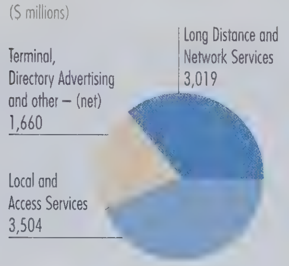
- Total Group revenues increased by 10% in 1995.
- Contribution to BCE earnings of $50 million increased by 11% over the prior year.

FINANCIAL HIGHLIGHTS

($ millions, except per share amounts)	*1995*	*1994*
Revenues	**570**	518
Operating cash flow	**55**	54
Contribution to BCE earnings per share	**0.16**	0.15

- Bell restructured its operations and created four new business units to manage long distance, local, corporate services, business development and technology.
- It unveiled a three-year transition plan and business transformation program.
- Bell launched an automated speech recognition system for directory assistance customers in Quebec, the first of its kind in North America.
- The company created two new wholly owned subsidiaries to manage and carry out a variety of real estate and distribution services.

SOURCES OF REVENUES
($ millions)

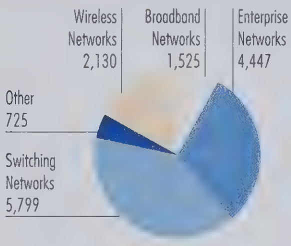


"Preserving our technological advantage is vital if we are to maintain our leading position in Canada's telecommunications industry and be the company of choice of customers. I firmly believe that we will achieve our goals and build a financially stronger, more responsive and innovative Bell Canada."

John T. McLennan
President and Chief Executive Officer

- In 1995, Nortel experienced strong order and revenue growth, rejuvenated profitability, and stronger relationships with customers.
- The corporation expanded its network of international alliances and joint ventures to get a technology boost, minimize costs, and accelerate its entry into new markets.
- Nortel's customer base grew more diverse as it expanded its presence in the growth markets of enterprise, wireless, and broadband, as well as internationally.

SOURCES OF REVENUES
($ millions)

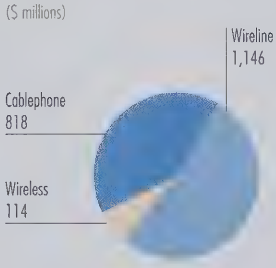


"Our ongoing commitment to globalization, the expansion of our customer base, and the breadth of product portfolios position us well in the growing global telecommunications market. We are developing a global leadership position in the provision and integration of digital networks solutions of all types, and we are committed to growing our corporation profitably."

Jean C. Monty
President and Chief Executive Officer

- New entry-level investments in key emerging markets with outstanding growth potential.
- 74,000 subscribers in Colombian cellular venture after 18 months in operation.
- Introduction of telephony service by Jones Intercable in late 1995.
- Key goals of Mercury's 1995 transition plan met.

INVESTMENT BASE
($ millions)

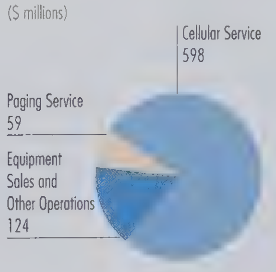


"1995 was the year when BCI became a bona fide player in the world's most promising emerging markets, with new investments in Brazil, China and India complementing our rapidly growing Colombian cellular venture."

Derek H. Burney
Chairman, President and Chief Executive Officer

- As at December 31, 1995, BCE Mobile had 798,000 cellular subscribers and 275,000 pagers in service – a 35% and 25% increase, respectively, during the year.
- BCE Mobile, as a shareholder of Mobility Canada, was awarded a license to offer Personal Communications Services (PCS) in the 2 GHz range.
- In January 1996, BCE Mobile began offering its MSAT mobile satellite communications service based on technology supplied by TMI, a member of the BCE group.

SOURCES OF REVENUES
($ millions)

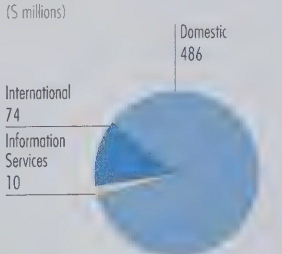


"BCE Mobile has demonstrated that it is able to achieve the sometimes conflicting objectives of increasing profitability while maintaining market leadership. We will continue to build on our tradition of developing profitable core businesses while investing in emerging wireless technologies that will define tomorrow's wireless industry."

Robert A. Ferchat
Chairman and Chief Executive Officer

- In Canada, Tele-Direct experienced stable growth and excellent customer loyalty among its 314,000 advertisers.
- 1995 customer satisfaction surveys indicated that Tele-Direct made strong improvements in terms of producing quality products.
- Internationally, Tele-Direct moved forward, leveraging a solid business formula and a strong sales and marketing organization to achieve strong revenue growth of some 55%.

SOURCES OF REVENUES
($ millions)



"We value our long-lasting relationships with every one of our advertisers and corporate customers in Canada and abroad. We must enhance these partnerships and assist all our customers to take advantage of new business opportunities created by changing markets and exploding technologies."

Thomas J. Bourke
President and Chief Executive Officer

Integrating our skills...

and expertise to deliver customer solutions

▶ Benny Lai, of Shing Hing Foods Co., Toronto, checks out his store's advertisement in Tele-Direct's Chinese Yellow Pages Directory.

The right communications product comes from a portfolio of solutions built on wired, wireless, voice, data and multimedia technologies. At BCE, we help to forge the link between the technology and the customer need.

The momentum of the information age continued to build in 1995. The number of adult North Americans using the Internet grew to 11 per cent of the population. The number of two-phone-line households doubled in the U.S. – the largest increase in residential connections since the Fifties.

In Canada, the BCE companies helped to meet the new information demands.

- Bell Global Solutions, in conjunction with MediaLinx Interactive, made the Internet more accessible to Canadians when it launched Sympatico, a customer-friendly Internet access service.

- Bell Canada introduced residential ISDN service in response to consumer demand for high speed, digital access to information services such as the Internet and other remote computer networks. The service – at least four times faster than using analog modems – lets customers run many applications over a single telephone line. Customers can alternate among applications to access any two at the same time.

- BCE and most of its operating companies are now accessible through Internet Web sites. Consumers can order selected services online and explore the information highway at the Bell Canada site, order directories from 123 countries at Tele-Direct or get shareholder information, including this annual report, at the BCE site.

Bell showed it is winning the battle to improve efficiency and still add value for customers.

- Service Confirmation sends a phone message to the customer when a repair is completed or a new Bell SmartTouch service goes online.

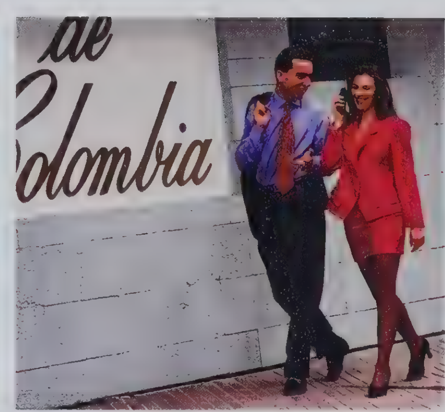
- The Call-Me service pre-authorizes payment of long distance or local calls saving time and operator charges.

- Name That Number makes it possible for customers to match names and localities to telephone numbers.

INNOVATIVE SERVICES

The integration of expertise among BCE companies is seen in our growing voice-activated services. Both Bell Canada and Tele-Direct have deployed Northern Telecom's (Nortel) technology to provide innovative customer benefits. The trial of a new Bell voice dialing service allows callers to speak the name of the person being called without having to dial.

▶ Ship to satellite? Raymond Laquerre, chief engineer aboard the Ferbec owned by Canada Steamship Lines, uses Bell Mobility's MSAT satellite-based telephone service aboard ship. Canada Steamship Lines is testing the MSAT service for use on its ocean-going vessels.



▲ Comcel employees Jorge Stellabatti and Sandra Gómez can use their company's cellular service to stay in constant touch with their office.

ELECTRONIC CASH

The household grocery money will soon join the billions of dollars a day exchanged over phone wires and wireless waves. In Ontario, Bell and two leading Canadian banks announced the second world trial of the Mondex electronic cash system. With the Mondex card, consumers can transfer cash between accounts or "refill" the card over the telephone. Bell and Nortel are developing payphones and home phones with smart card reader capability to accommodate transfers of electronic cash.

Tele-Direct is transforming its traditional paper-based product to the demands of the information age. Ontario's 4.3 million phone subscribers could be searched on a CD-ROM in 1995 and, early in 1996, Yellow Pages net.works service made its debut on the Internet. The first phase of the service lists more than 10,000 companies related to the home improvement market and links home pages on 300 companies.

We took a big step toward integrating our resources for the benefit of business customers. Within Bell Horizon Services, industry teams were developed in 1995 to combine industry knowledge and telecom expertise. These teams will initiate network-based, business communications solutions for our medium and large customers.

IN CONCERT WITH MCI

It took both domestic and global alliances to supply another competitive edge to Canadian businesses in the form of Concert. Concert is a single, intelligent network replacing the chain of multiple carriers; with it, businesses will communicate around the world as easily as within Canada. Concert is offered by Bell and the other Stentor companies as a result of an alliance with MCI, the world's third largest international carrier.

▶ Bell customer service representative Toni Hibbard, centre, consults with small business clients Peter McLean and Marion Hart in Bell's Toronto Advantage Business Centre.

Integrating our strengths...

and scope to compete in the global arena

▶ Bell Cablemedia employee Peter O'Toole in the U.K. handles conduit in which the company's fibre optic facilities are housed underground.

We compete increasingly on the global stage. Geographically, we leverage our world-class expertise to access rapid-growth, emerging markets; technologically, we find opportunity in regions less regulated than our own to develop and refine new capabilities. Both of these thrusts transcend the constraints of our home market to add shareholder value.

Our international investment strategies are advanced through Bell Canada International. BCI reached an important milestone in 1995, securing beachheads in India, China and Brazil to add to its 1994 Comcel start-up in Colombia, and other investments.

These growth markets of tomorrow complement more mature investments in the U.K. and the U.S. and represent our platform for future world growth. Specifically:

- our Chinese cellular venture will build a 50,000-subscriber network in the city of Yantai which has a population of seven million people and is located in Shandong Province;

- our cellular start-up in India is in the State of Andhra Pradesh with a population of 70 million. A license is pending to provide basic (wireline) telephone services in the same state. Our Indian consortium is currently the only company to be positioned to hold both a wireless and wireline license in a major state;

- our cable TV operation in Brazil plans a 230,000-home system in cities adjacent to São Paulo over the next four years; and

- Comcel, last year's Colombian cellular start-up serving a region of 16 million people, turned operating cash flow positive in 1995 after only eight months of operation and completed a US $250 million financing of its own. Subscribers at year-end were 74,000, after only 18 months in operation.

EXPANDING OUR CAPABILITIES

There is a capabilities dimension to our international thrust. When cable telephony comes to the domestic market we will know the business, thanks to living laboratories in the U.K. and the U.S. enabled by BCI.

- In the U.K. – where cable TV companies are also allowed to offer dialtone – the number of Bell Cablemedia subscribers grew nearly 70 per cent in 1995. Among new subscribers, approximately 80 per cent took both TV and telephone services in 1995.

▲ Northern Telecom (Asia) Ltd., sales employees Feynman Chan, left, and Edward Lee in Hong Kong serve the needs of two major local customers, New T&T and Hongkong Telecom.

▼ Nortel employees, from left, Rafael Garcia, Rogelo Rivera Melo and John Zarate have been key in the management of Nortel's contract to build a new national long distance network in Mexico. Here, they examine a Mexico City switching centre belonging to Nortel's client, Avantel.

- We are the first in the U.S. to offer phone service over cable. A precedent setting trial in the Washington, D.C. area is blending the telephone expertise of Bell and the technology of Nortel with the cable TV experience of our partner, Jones Intercable.

LEADING THE WORLD'S RUSH TO NETWORKS

BCE's greatest international presence is through Nortel. With strong growth outside Canada and the United States, Nortel has become an established global player. In 1995, 39 per cent of Nortel's revenues came from its activities in more than 90 countries and territories outside Canada and the U.S.

DMS switching systems supply nearly 100 million digital lines and 35 million digital trunks – making Nortel a leader in the worldwide movement to fully digital systems.

Important new contracts in 1995 both added to this presence and confirmed Nortel as one of the world's broadest-based telecom suppliers with world-class capability in wireless, conventional wireline and broadband technology.

These contracts included:

- new switching equipment sales to China, bringing total lines installed or on order to more than six million;
- building a new national long distance network in Mexico;
- building a 3,000 km fibre optic backbone to run the length of Vietnam; and
- expanding Moscow's network by 300,000 lines.

An aggressive marketer of our domestic expertise around the world is Bell Sygma. This Bell subsidiary operates on the leading edge of global telecom trends, merging computer and communications expertise. Formed less than three years ago, it provides information technology solutions to telephone companies in 10 countries.

Tele-Direct has developed a widening international presence to complement the effects of a maturing traditional business. It has operations in Hong Kong, India, Egypt, the Caribbean, the United Arab Emirates, Bahrain, Oman, and Jordan, and continues as a minority partner in Australia. In 1995, Tele-Direct's international directory sales represented 13 per cent of total revenues.

▼ May Dave, seated, and James Wong are among 30 employees in the ethnic marketing group of Bell's Direct Marketing Centre in Toronto. Through its "in language" program the group communicates with Bell's non-English-speaking customers in more than 30 languages and dialects.

Contents

Our Organization

CANADIAN TELECOMMUNICATIONS

Wireline

Bell Canada 100%
- Bell Sygma Inc. 100%
- Progistix-Solutions Inc. 100%
- Nexacor Realty Management Inc. 100%

Télébec ltée 100%

Northern Telephone Limited 99.9%

Northwestel Inc. 100%

NewTel Enterprises Limited 55.6%
- Newfoundland Telephone Company Limited 100%

Bruncor Inc. 45%
- The New Brunswick Telephone Company, Limited 100%

Maritime Telegraph and Telephone Company, Limited 36.1%(1)
- The Island Telephone Company Limited 52%

Teleglobe Inc. 24.3%(2)
- Teleglobe Canada Inc. 100%

Wireless

BCE Mobile Communications Inc. 65.3%
- Bell Mobility *Cellular, Paging, Radio, Skytel* 100%
- Bell Mobility Ardis 60%
- Iridium Canada Inc. 45.9%

Satellite

Telesat Canada 58.5%(1)

TMI Communications and Company, Limited Partnership 100%

Multimedia

MediaLinx Interactive Inc. 100%

Expressvu Inc. 33⅓%

BELL CANADA INTERNATIONAL

Bell Canada International Inc. 100%

Wireline
- Mercury Communications Limited (United Kingdom) 20%
- CLEAR Communications Limited (New Zealand) 25%

Cable TV & Telecom
- Bell Cablemedia plc (United Kingdom) 42.2%
- Jones Intercable, Inc. (U.S.A.) 30.2%(2)
- Canbras TVA (Brazil)(3)
- Tata Teleservices (India)(4)

Wireless & Telecom
- Comunicación Celular Comcel S.A. (Colombia) 50.8%
- Tata Communications (India) 39%(5)
- Yantai Bell (China) 80%
- Astel Tokyo Corporation (Japan) 1%

DIRECTORIES

Tele-Direct (Publications) Inc. 100%

Tele-Direct (Services) Inc. (Canada) 100%
- Activity Directories International, Inc. (Colorado, U.S.A.) 100%
- Pacific Access Pty. Ltd. (Australia) 12.2%
- Telecom Directories Limited (Hong Kong) 49%
- Al Wahda-Express (United Arab Emirates) 35%
- Tele-Gulf Directory Publications (Bahrain) 59%
- Egypt Yellow Pages Limited 47%
- The Directories Co. for Advertising & Publicity Ltd. (Jordan) 60%
- Caribbean Publishing Company (Cayman Islands) 96%
- M&N Publications Limited (India) 60%

NORTHERN TELECOM

Northern Telecom Limited 52.1%
- Northern Telecom Inc. (U.S.A.) 100%
- Nortel Limited (United Kingdom) 100%
- Nortel CALA Inc. (Caribbean and Latin America) 100%
- Nortel Dasa Network Systems GmbH & Co. KG (Germany) 50%
- Northern Telecom (Asia) Limited (Hong Kong) 100%
- Matra Communication S.A.S. (France) 50%
- Netaş-Northern Electric Telekomünikasyon A.S. (Turkey) 51.9%
- Tong Guang-Nortel Limited Liability Company (China) 55%
- Northern Telecom (Luxembourg) S.A. 100%
- Northern Telecom Singapore PTE Limited 100%
- Nortel Europe S.A. (France) 100%
- Nortel (China) Limited (China) 100%
- Northern Telecom International Finance B.V. (The Netherlands) 100%

RESEARCH AND DEVELOPMENT

Bell-Northern Research Ltd.
Northern Telecom 70%
Bell Canada 30%

BNR Inc. (U.S.) 100%

Stentor Resource Centre Inc. 52.5%

OTHER

BCE Capital Inc. 100%

Bimcor Inc. 100%

Teletech Financial Corporation
Bell Canada 28.4%
BCE Mobile 28.4%

Ownership percentages displayed are as of January 1, 1996.
Certain entities are held indirectly through one or more subsidiaries which are not shown here.

(1) BCE has only a 26.1 per cent voting interest in Telesat Canada and, under a provincial statute, can vote only 1,000 shares of MT&T.
(2) Percentages shown are on a fully diluted basis.
(3) Ultimate percentage depends on amount and time of conversion of debentures.
(4) BCI has commitments to acquire 39% upon awarding of a wireline license.
(5) As of February 20, 1996.

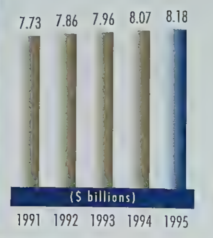
Corporate Overview

Bell

Bell Canada is Canada's largest supplier of telecommunications services. With one of the world's most robust and reliable public switched networks, Bell provides advanced voice, data and image communications to more than seven million business and residential customers in Ontario and Quebec. One hundred per cent of Bell's long distance lines are served by digital switches, as are 97 per cent of its local service lines. Bell owns a 100 per cent interest in the directory business division of Tele-Direct (Publications) Inc., the alphabetical pages and Yellow Pages directory publishers, as well as 100 per cent of Bell Sygma Inc., Progistix-Solutions Inc. and Nexacor Realty Management Inc.

As of December 31, 1995	
Number of employees	48,333
Total assets	$19 billion
Network access services	10.0 million
Conversation minutes carried in 1995	10.4 billion
Current market share	
Long distance	74%
Local access market	100%

Revenues



Market Overview

- The convergence of telephone and computer technologies is giving rise to new services and opportunities.
- With globalization, we're seeing the emergence of a North American telecommunications market.
- In this market, strategic alliances are key to providing customers with a full range of communications services, at all times, anywhere in the world.
- Competition continues to be the watchword as we move closer to full implementation of the new regulatory framework.

Our Position

- Bell intends to provide a full range of communications and information services.
- We will satisfy customers' unique communications and information needs, by bundling just the right mix of services for them in "packages of value."
- We've formed industry vertical sales and marketing teams to focus on key customer segments such as finance, education and health care. In tailoring our approach to more finely segmented markets, we're creating solutions that fit our customers' needs.

Our Key Strategies

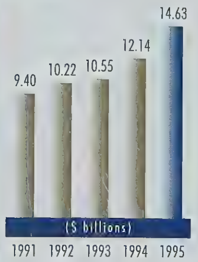
- Keep the business transformation process on track
- Aggressively pursue new and non-traditional produc and markets to maintain growth.
- Strengthen our ability to serve national customers.
- Maintain and strengthen our current strategic alliar and seek productive alliances around the world.
- Leverage the tremendous strength of the Bell brand Long synonymous with integrity and reliability, it w soon become linked with ease of use and innovatior

Nortel — Northern Telecom

Nortel is working closely with customers worldwide to design, build, and integrate digital networks – for information, entertainment, education, and business – offering one of the broadest choices of network products in the industry. Nortel has helped customers install more digital lines worldwide than any other company.

For 1995	
Net earnings applicable to common shares	$638 million
Operating cash flow	$1,156 million
R & D investment	$2,165 million
Number of employees (consolidated)	63,715

Revenues



Market Overview

- Significant globalization of the telecommunications market, both in terms of services and equipment.
- Convergence of technologies, comprehensive regulatory changes, and privatization are resulting in a dramatic evolution of the telecom industry.
- Significant growth opportunities in deregulating and emerging countries as regulatory barriers are reduced and developing economies build telecom infrastructure.
- Increasing competition for both service and product suppliers.

Our Position

- Nortel's strengths are its global presence, the breadth of its portfolio, and its leadership in designing, building, and integrating digital networks.
- Nortel's vision of "A World of Networks" is driven by the changing marketplace and customers' needs for integrated network solutions, supporting many different kinds of traffic: information, entertainment, education, and business.
- Changes in the global marketplace offer significant opportunities for Nortel and other suppliers.

Our Key Strategies

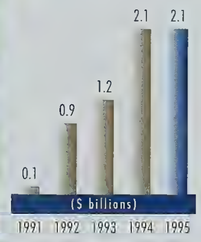
- Leverage our existing product portfolio, which is one of the broadest in the industry, while at the same tir focusing on renewing and expanding our product li
- Continue our focus on joint ventures and/or strateg alliances to provide products/networks to the netw global economy more rapidly and with competitive value.
- Focus on increasing revenues outside Canada and the U.S. to 50 per cent of our total revenues before the tu of the century.

Bell Canada International

BCI is BCE's primary vehicle for international expansion in operations outside Canada, with a mandate to expand and diversify BCE's global presence by leveraging the strengths and skills of the BCE group in promising foreign ventures. With a current investment base exceeding $2 billion, BCI owns significant interests in wireline, cablephone and wireless operations in the United Kingdom, the United States, Colombia, Brazil, China and India.

As of December 31, 1995	
Mercury – minutes – millions, '95	13,451
Bell Cablemedia	
CATV subscribers	111,630
Res. tel. subs.	96,796
Bus. tel. lines	10,590
Jones	
Basic subs. (owned)	439,354
Basic subs. (managed)	997,187
Comcel – subscribers	74,000
Number of employees (consolidated)	480

Investment Base



Market Overview

- The forces of liberalization and privatization continue to provide numerous value-creation opportunities around the globe.
- New technologies create opportunities to meet pent-up demand for basic and value-added services in cost-effective ways.

Our Position

- BCI continues to explore promising opportunities as and when they arise.
- A key investment criterion for BCI remains a high-quality local partner with complementary skills and expertise.

Our Key Strategies

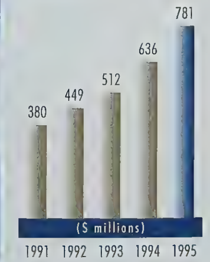
- Meet business plan and operation targets while building out operating company networks.
- Take an active role in the strategic management of certain operations.
- Focus expansion efforts on synergistic opportunities in existing markets.

BCE Mobile

BCE Mobile Communications Inc., is the Canadian leader in wireless communications. Its subsidiaries, which operate under the Bell Mobility banner, provide cellular, paging and data services in Ontario and Quebec and nationally through its participation in Mobility Canada. It also provides airline passenger communications services through Bell Mobility Skytel. BCE Mobile will soon begin offering a full range of Personal Communications Services (PCS) applications in the 2 GHz range.

For 1995	
Cellular subscribers	798,000
Revenue per subscriber (per month)	$75
Pagers in service	275,000
Revenue per subscriber (per month)	$20
Number of employees	2,442

Revenues



Market Overview

- In December, Industry Canada awarded licenses to provide PCS in the 2 GHz range to BCE Mobile, as a shareholder of Mobility Canada, and to three other companies. Increased competition and the introduction of new services are expected to heighten market awareness of wireless and stimulate demand. The Canadian Radio-television and Telecommunications Commission is reviewing a number of issues which could alter the structure of the industry. These include number portability and reselling of cellular services, among others.

Our Position

- We see the ongoing development of new wireless applications as a positive step and the logical evolution of an industry experiencing tremendous growth. With its full range of wireless services, BCE Mobile is uniquely positioned in the marketplace to benefit from this growth.

Our Key Strategies

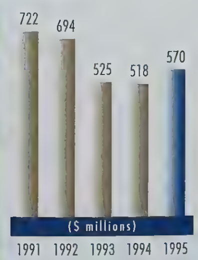
- BCE Mobile will continue to effectively manage rapid growth in its core cellular and paging businesses while investing in and developing emerging technologies, including PCS. Our goal is to enhance our customers' lives by providing them with a full spectrum of wireless solutions delivered across an integrated family of networks.

Tele-Direct (Publications) Inc.

Tele-Direct is one of the world's leading directory publishers. The company sells, markets and publishes alphabetical pages and Yellow Pages directories for communities in Ontario and Quebec served by Bell Canada, and provides similar services for other telephone companies in New Brunswick, Newfoundland, Ontario, Quebec and the Northwest Territories. Internationally, the company publishes directories in the United Arab Emirates, Bahrain, Oman, Jordan, Egypt, India, the Caribbean and Hong Kong. In addition, the company utilizes emerging technologies such as CD-ROMs and the Internet to provide new innovative advertising and marketing services that connect buyers with sellers.

For 1995	
Number of directories published annually	155
Number of employees	3,500
Number of Canadian advertisers	314,000

Revenues



Market Overview

- The Canadian advertising market is not growing as it did in the 1980's.
- Advertisers and customers are looking for more effective ways to complete business and personal transactions.
- Tele-Direct has one of the largest information databases in Canada.

Our Position

- Leadership position in the Canadian marketplace.
- Excellent brand and customer loyalty in Canada.
- Well positioned in the international marketplace to exploit future growth opportunities.

Our Key Strategies

- To build on the customer relationships we have and improve the efficiency with which business transactions are completed.
- To provide information and services to the community at large that facilitate their business and personal transactions and promote the use of telecommunication services.

Canada's Global Communications Company

BCE IS ONE OF THE WORLD'S LEADING
COMMUNICATIONS ORGANIZATIONS,
OPERATING IN 90 COUNTRIES
AND TERRITORIES.
IT IS CANADA'S GLOBAL
COMMUNICATIONS COMPANY.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of 1995's financial results focuses on the principal operating groups of BCE Inc. and includes a review of the operations and financial situation of each operating group. BCE Inc. and its consolidated subsidiaries are collectively referred to herein as BCE. This MD&A should be read in conjunction with the audited consolidated financial statements contained on pages 30 to 53 of this annual report.

RESULTS BY OPERATING GROUP

REVENUES

	1995	1994	*($ millions)* 1993
Canadian Telecommunications	**9,174**	8,868	8,614
Northern Telecom (Nortel)	**14,626**	12,137	10,550
Bell Canada International	**223**	138	138
Directories	**570**	518	525
Corporate	**31**	9	–
	24,624	21,670	19,827

CONTRIBUTION TO NET EARNINGS (LOSS) APPLICABLE TO COMMON SHARES

($ millions, except per share amounts)

	1995	1994	1993
Canadian Telecommunications	**574**	809	749
Nortel			
– net earnings excluding special charges	**334**	291	41
– special charges	**–**	–	(624)
Bell Canada International	**(66)**	162	58
Directories	**50**	45	61
Corporate	**(110)**	(129)	(126)
Earnings from continuing operations	**782**	1,178	159
Loss from discontinued operations	**–**	–	(815)
Dividends on preferred shares	**(87)**	(92)	(94)
Net earnings (loss) applicable to common shares	**695**	1,086	(750)
Earnings (loss) per share	**2.23**	3.52	(2.44)

BCE's 1995 net earnings, compared with 1994, changed primarily as a result of four factors. Firstly, results of the Canadian Telecommunications group reflect declines in the contributions of Bell Canada and certain other Canadian Telecommunications companies which, as in 1994, were adversely affected by intense long distance competition. These results were partially offset by an increased contribution by BCE Mobile. Secondly, one-time gains in 1995 amounted to $55 million, compared with $233 million in 1994, which included a $151 million gain recognized by Bell Canada International (BCI) on the reduction of its ownership in Bell Cablemedia plc (BCM). Thirdly, operating results of Nortel (excluding one-time gains from dispositions of $72 million) improved $115 million over 1994. Finally, results of BCI reflect the continuing network buildouts of BCM in the U.K and Comunicación Celular S.A. (Comcel) in Colombia, the first year of results from Jones Intercable (Jones) in the United States and the ongoing cost of financing these investments.

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CANADIAN TELECOMMUNICATIONS

Overview:
BCE's Canadian Telecommunications group includes the following subsidiaries and other controlled entities: Bell Canada, BCE Mobile Communications Inc., MediaLinx Interactive Inc., NewTel Enterprises Limited, Northern Telephone Limited, Northwestel Inc., Télébec ltée, and TMI Communications and Company, Limited Partnership and the following associated companies: Bruncor Inc., Maritime Telegraph and Telephone Company, Limited, Teleglobe Inc. and Telesat Canada. These entities provide a full range of domestic and international telecommunication services to Canadian customers. Bell Canada accounted for 84% and 78.7% of the group's revenues and earnings, respectively, in 1995.

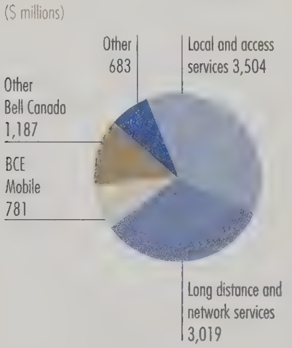
Results:
1995 earnings continue to reflect the effects of intense competition in the long distance market. This has resulted in declining long distance revenues due to market share losses and pricing trends; increased operating expenses including sales and marketing expenses incurred to defend existing customer and revenue bases; somewhat offset by increased local and access service revenues. Bell Canada contributed $452 million to the net earnings of the Canadian Telecommunications group in 1995, a decline of $219 million when compared with 1994. Bell Canada earned a consolidated rate of return on common equity of 6.7% in 1995, compared with 9.3% in 1994.

Canadian Telecommunications revenues

	($ millions)			% Change	
	1995	*1994*	*1993*	*1995 vs. 1994*	*1994 vs. 1993*
Bell Canada (excluding directory operations)					
Local and access services	**3,504**	3,267	2,976	7.3	9.8
Long distance and network services	**3,019**	3,273	3,478	(7.8)	(5.9)
Other	**1,187**	1,051	1,014	12.9	3.6
	7,710	7,591	7,468	1.6	1.6
BCE Mobile	**781**	636	512	22.8	24.2
Other Canadian Telecom	**683**	641	634	6.6	1.1
	9,174	8,868	8,614	3.5	2.9
Number of network access services* (NAS) – thousands	**10,593**	10,301	10,015	2.8	2.9

* represent, approximately, the number of lines in service.

CANADIAN TELECOMMUNICATIONS
($ millions)



REVENUES:
Revenues grew by $306 million in 1995, compared with $254 million in 1994. Revenue growth was largely attributable to increases in local and access service revenues at Bell Canada as well as increased revenues at BCE Mobile partially offset by declines in long distance revenues.

Bell Canada local and access services:
Local and access service revenues are earned by connecting business and residence customers to the networks and providing them with local-area service. Three factors contributed to the $237 million year-over-year growth in this category. The largest contributor to the increase over 1994 is the growth of lines in service. The NAS grew by 2.8% in 1995. The remainder of the increase is due to continued growth in optional features and increased payments from long distance competitors resulting from their increased volumes. The emergence of high-margin optional services as a significant revenue source is an important benefit of the extensive investment made over the last several years in the digitization of switching equipment.

Bell Canada long distance and network services:

Long distance and network service revenues are earned by carrying long distance traffic and by providing network services such as private line and business-data services. The drop in basic long distance service revenue is due to continued market-share erosion and lower prices. A decline of $315 million or 11.7% in basic long distance services at Bell Canada in 1995 was partially offset by increases in network services. Bell Canada now competes with over 200 companies providing basic long distance and network services in its territory. Long distance volumes at Bell Canada, as measured in conversation minutes, decreased by 0.8% to 10,384 million in 1995, compared with 10,470 million in 1994. The loss of volume to competitors was mitigated by market growth driven in part by traffic stimulation from price reductions. Bell Canada estimates, that during 1995, competitors acquired a further 6% of the volume of the long distance market in its territory, bringing Bell Canada's cumulative market-share loss to 26% since the advent of long distance competition. This compares with a market-share loss of 8% for the full year 1994, at the end of which the cumulative market-share loss stood at 20%. When measured in terms of revenues, the estimated cumulative market-share loss stands at 27%, 5% of which occurred during 1995, and 8% during 1994.

Other Bell Canada revenues:

The main revenue streams in this category are competitive rental, sales and maintenance of terminal equipment, and data processing and systems integration activities. The gains in revenues in 1995 are primarily due to increased sales of terminal equipment along with increased data processing and systems integration activities.

BCE Mobile:

Revenues at BCE Mobile grew significantly in 1995. Cellular customers rose to 798,000 in 1995 (592,000 at December 31, 1994) and paging customers to 275,000 (220,000 at December 31, 1994) reflecting increases of approximately 35% and 25%, respectively. Revenues were also affected by slightly lower revenue per customer.

CANADIAN TELECOMMUNICATIONS OPERATING EXPENSES

Bell Canada depreciation:

Basic depreciation expense at Bell Canada increased by $26 million or 1.4% in 1995 as a result of higher plant and equipment balances. This increase was more than offset by a $53 million reduction in the depreciation of analogue switching equipment for 1995 compared with 1994.

Canadian Telecommunications operating expenses

	($ millions)			% Change	
	1995	1994	1993	1995 vs. 1994	1994 vs. 1993
Bell Canada (excluding directory operations)					
Depreciation	**1,874**	1,901	1,676	(1.4)	13.4
Operating expenses	**4,137**	3,733	3,743	10.8	(0.3)
	6,011	5,634	5,419	6.7	4.0
BCE Mobile	**663**	534	447	24.2	19.5
Other Canadian Telecom	**521**	465	461	12.0	0.9
	7,195	6,633	6,327	8.5	4.8

Bell Canada operating expenses:

Bell Canada's operating expenses for 1995 increased by $404 million compared with 1994. The major factors are: additional sales and marketing expenses; increased operating expenses in support of the growth in data processing and systems integration activities; higher costs of sales and maintenance of terminal equipment; as well as higher employee benefits and operating taxes. During the first half of 1995, operating requirements and the pressures generated by long distance competition caused increases in the numbers of employees and in salary and wage expenses.

In March 1995, Bell Canada initiated a three-year transition plan designed to restore its financial strength as it operates in an increasingly challenging competitive, regulatory and technological environment. Significant resources have been committed to business transformation – a redesign of work processes that will enable Bell Canada to substantially reduce its cost structure while finding better and faster ways to serve its customers.

In June, a variety of voluntary incentive measures and career transition aids were presented to employees as a first step in the orderly management of extensive workforce reductions. As at December 31, 1995, over 9,000 employee applications to the voluntary separation program (VSP) for departure over the course of the three-year program had been confirmed. This includes approximately 2,400 managers, 3,800 clerical and sales employees as well as 2,800 operators and technicians. 1995 applications totalled some 3,800 consisting of more than 700 managers, 1,400 clerical and sales employees and 1,700 operators and technicians. With this high level of participation, the 1995 year-end net workforce reduction objective of 1,700 telecommunications operations positions from 1994's year-end level was exceeded without involuntary measures being invoked. Additional applications are pending due to the timing of various business transformation objectives.

Bell Canada employees

	Dec. 31 **1995**	*Dec. 31* **1994**
Telecommunications operations	**42,201**	45,906
Other operations	**6,132**	5,597
	48,333	51,503

The number of telecommunications operations employees has decreased by 3,705 compared with the 1994 year-end level. Additions, primarily in marketing and sales, were more than fully offset in 1995 by the reduction of some 4,600 employees through the VSP and earlier voluntary measures, as restructuring of the company to improve efficiency progresses. Employee growth in Bell Canada's other operations is principally due to the growing systems integration and data processing activities conducted by Bell Sygma Inc.

Bell Canada's total payroll (including amounts spent on capital and process improvement projects, but excluding any payments made under workforce reduction programs) for 1995 amounted to $2.4 billion, $77 million or 3.3% higher than 1994. This increase reflects the impact of programs initiated in early 1994 to reduce hours worked and overall salary costs, which were terminated in the second half of 1994, and the fact that the majority of the force reductions occurred during the latter part of 1995 and thus have a minimal impact on 1995 compensation costs.

BCE Mobile:

BCE Mobile's operating expenses grew approximately 24% in 1995, from $534 million to $663 million, reflecting its larger subscriber base, additions to its networks and the increased marketing efforts required to access the consumer market for wireless. Included in the increase were a $43 million increase in cost of revenue, a $58 million increase in selling and administrative costs and a $28 million increase in depreciation and amortization.

NORTEL

Overview:

Nortel is a leading global supplier of telecommunications equipment products, the only business segment in which it operates. The telecommunications equipment business consists of the research and the design, development, manufacture, marketing, sale, financing, installation, servicing and support of switching networks, enterprise networks (formerly multimedia communication systems) wireless networks, broadband networks (formerly transmission equipment) and other products and services. While Nortel reports its results in U.S. dollars, all amounts presented here are in Canadian dollars, except where otherwise noted.

Results:

The increase in Nortel's contribution to BCE's 1995 net earnings over 1994 is primarily due to increased operating earnings and decreased interest expense, partially offset by lower investment and other income. Results in 1994 included one-time gains (to BCE) of $72 million from the disposition of businesses.

Revenues:

Revenues increased by 20.5% in 1995 when compared with 1994. The increase was primarily due to a net volume increase of approximately 17%, the net effect of dispositions and consolidations of approximately 6%, partially offset by price reductions of approximately 3%.

Product line revenues:

The increase in switching networks revenues was due to substantially higher sales in Europe and the Caribbean and Latin America (CALA), partially offset by substantially lower sales in Asia Pacific and decreased sales in Canada. Switching networks revenues in the United States were essentially flat in 1995 compared with 1994. The higher European switching networks revenues in 1995 were due in large part to the proportionate consolidation of Matra Communication S.A.S. (Matra Communication).

Nortel – Product line revenues

	($ millions)			% Change	
	1995	1994	1993	1995 vs. 1994	1994 vs. 1993
Switching networks	**5,799**	5,378	4,868	7.8	10.5
Enterprise networks	**4,447**	3,371	2,875	31.9	17.3
Wireless networks	**2,130**	1,221	612	74.4	99.5
Broadband networks	**1,525**	1,276	975	19.5	30.9
Other revenues	**725**	891	1,220	(18.6)	(27.0)
	14,626	12,137	10,550	20.5	15.0

The increase in enterprise networks revenues in 1995 was due to substantially stronger sales in Europe, attributable mainly to the proportionate consolidation of Matra Communication in 1995, significantly higher sales in the United States, substantially higher sales in Asia Pacific, and increased sales in Canada, partially offset by slightly lower sales in CALA.

Wireless networks revenues increased in 1995 due to substantially stronger sales in Europe, the United States, Asia Pacific, and Canada. Wireless networks revenues in CALA were essentially flat in 1995 compared with 1994. The increase in European wireless networks revenues in 1995 was mainly due to the proportionate consolidation of Matra Communication.

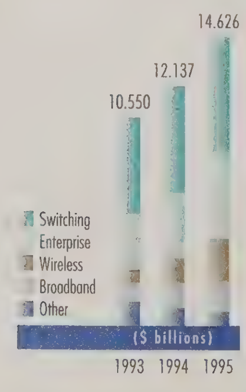
The increase in broadband networks revenues in 1995 was a result of substantially higher sales in Asia Pacific, significantly higher sales in the United States, and substantially higher sales in CALA. Broadband networks revenues in Europe and Canada were essentially flat in 1995 compared with 1994.

Other revenues, comprising cable and outside plant revenues, revenues from other products, interest income of the finance subsidiaries, and research and development performed on behalf of customers, decreased in 1995 due primarily to the sales of businesses in 1994.

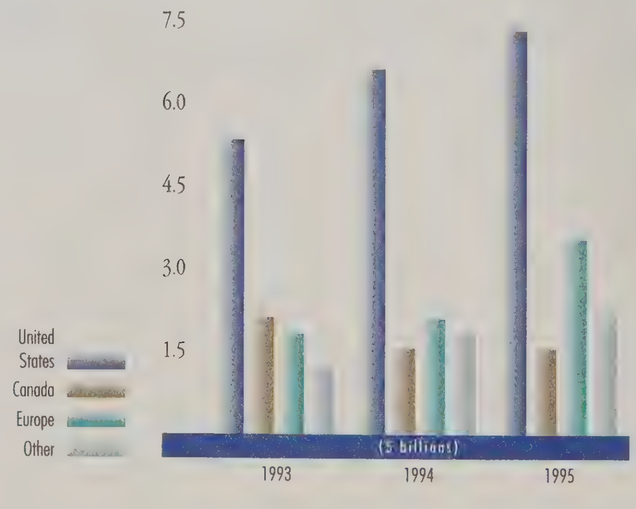
Geographic revenues:
Revenues (based on the location of the customer rather than the location of the selling organization) increased in all markets in 1995 when compared with 1994 except Canada, which was essentially flat.

Revenues in the United States increased in 1995, primarily due to substantially higher sales to other customers (primarily comprising sales of wireless and enterprise networks to independent telecommunications companies), significantly higher sales to interexchange carriers, increased sales to telecommunications operating companies other than regional holding companies, slightly higher sales to regional holding companies, significantly higher sales to distributors other than interexchange carriers and increased sales to governments.

NORTEL REVENUES BY PRODUCT LINES



NORTEL GEOGRAPHIC REVENUES BASED ON CUSTOMER'S LOCATION



Revenues in Europe were up substantially in 1995 compared with 1994, due mainly to the proportionate consolidation of Matra Communication in 1995 and substantially increased sales of wireless networks and switching networks, significantly increased sales of enterprise networks and slightly increased sales of broadband networks, partially offset by significantly decreased sales of other products.

Revenues in Canada were flat when compared with revenues in 1994. In 1995, significantly higher sales to Bell Canada and other BCE subsidiary and associated companies were offset by significantly decreased sales to other Canadian customers. Revenues in other international markets, comprising the Asia Pacific and CALA markets, rose substantially in 1995 compared with 1994.

Gross margin:

Gross margin in 1995 was 40.2% of revenues compared with 36.9% in 1994. Gross margins increased in switching networks, enterprise networks and broadband networks partially offset by lower gross margins on sales of wireless networks and lower gross margins on Matra Communication sales. Nortel's wireless networks organization continues to incur start-up costs as it penetrates new markets.

Although pressures on gross margin continue, Nortel has been able to offset such pressure through the sales of higher margin products and the benefits of the restructuring program. Nortel has taken steps to reduce excess capacity and to rationalize and consolidate manufacturing facilities. Gross margin is favourably affected by software sales due to the higher margin associated with such sales. However, as switching networks sales continue to decline as a percentage of overall sales, gross margin may be negatively impacted.

Operating expenses:

Selling, general, and administrative expense (SG&A), compared with last year, dropped as a percentage of revenues, but rose in absolute dollars in 1995. The decrease as a percentage of revenues in 1995 is a result of cost containment efforts and the benefits of the restructuring program, partially offset by the proportionate consolidation of Matra Communication. The absolute dollar increase in SG&A expense reflects the proportionate consolidation of Matra Communication and the funding of international market and product development, particularly in the wireless and broadband networks businesses, partially offset by the benefits realized as a result of the restructuring program.

Research and development expense (R&D) rose to $2.2 billion in 1995, compared with $1.6 billion in 1994, a reflection of ongoing programs for new products, process development, advanced capabilities and services for a broad array of existing products across all networks businesses, but primarily in the wireless, enterprise, and broadband networks businesses.

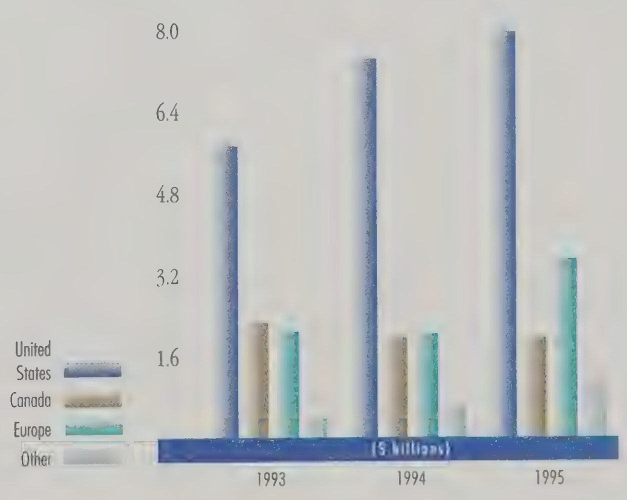
Restructuring:

As expected, the benefits of the restructuring program began to materialize in the second half of 1994 and continued throughout 1995 and were reflected in the results for the second half of 1994 and all of 1995, particularly in cost of revenues and SG&A. See Note 3 to the consolidated financial statements on page 39 of this annual report.

Litigation and environmental matters:

See Note 19 to the consolidated financial statements on page 51 of this annual report.

NORTEL GEOGRAPHIC REVENUES
BASED ON SELLING ORGANIZATION



BELL CANADA INTERNATIONAL

Overview:
BCI is active in three business segments of the telecommunications industry outside of Canada: wireline, cable/phone and wireless. At the end of 1995, BCI had investments in the U.K., the United States, Colombia, Brazil, China, India, Japan and New Zealand.

Results:
BCI recorded losses of $66 million in 1995 compared with income of $162 million in 1994. The earnings in 1994 reflected the $151 million gain recorded by BCI due to the reduction of its ownership in BCM in the U.K. and the results of 1995 include a $14 million gain due to BCM's reduction in ownership of Videotron Holdings plc. Excluding these gains, changes in earnings reflect the continued network buildouts at BCM in the U.K. and Comcel in Colombia, the first year results of the investments in Jones in the United States, the ongoing cost of financing these investments, as well as slightly lower wireline earnings. The contribution to BCI's earnings by Mercury Communications Limited in the U.K. was slightly lower, when compared with 1994.

DIRECTORIES

Overview:
The Directories group publishes alphabetical pages, Yellow Pages and other directories in Canada, the United States, Hong Kong, Australia, India, the Caribbean and the Middle East.

Results:
Earnings in 1995 increased by 11% to $50 million when compared with 1994 due largely to improved earnings in Hong Kong and domestic operations. Results in both years include losses in India.

CORPORATE

Overview:
BCE Inc. is a strategic management company whose major activities include strategy development, human resources management, capital allocation, goal setting and performance monitoring.

Results:
Corporate results include interest expense, gains and losses on sales of corporate investments, administrative expenses and related income taxes. 1995 results improved $19 million when compared with 1994, primarily due to gains of $41 million from portfolio investment dispositions. These gains were partially offset by increased interest charges.

LIQUIDITY AND CAPITAL RESOURCES

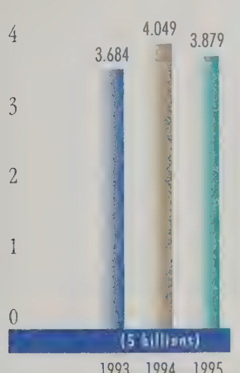
BCE CONSOLIDATED

(see page 33 of the consolidated financial statements)
Consolidated operating cash flow of $3.9 billion was slightly below the level of $4.0 billion in 1994. Primarily as a result of working capital changes, net cash provided by operations declined by $1.9 billion. Net cash used for investments increased by $1.1 billion in 1995 to $2.9 billion, primarily reflecting the $2.2 billion of proceeds from divestitures in 1994 (notably Nortel's divestiture of its STC Submarine Systems business) and investments in 1994 of $1 billion, primarily Jones and Comcel. Capital expenditures remained stable at $2.8 billion.

At December 31, 1995, consolidated unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to $4.7 billion.

The following information relates to the cash flows of the principal subsidiaries of BCE Inc. on an individual basis, and of the Corporate group.

BCE OPERATING CASH FLOW



BELL CANADA

		($ millions)
	1995	*1994*
Net earnings	**567**	793
Depreciation and other non-cash operating items	**1,892**	1,860
Operating cash flow	**2,459**	2,653
Working capital and other items	**(112)**	(297)
Cash flow from operations	**2,347**	2,356
Capital expenditures, net	**(1,500)**	(1,640)
Common dividends	**(821)**	(821)
Preferred dividends	**(65)**	(72)
Other investing activities	**(5)**	41
Free cash flow	**(44)**	(136)

Financing provided by:

Decrease in notes payable and bank advances	**(169)**	(93)
Proceeds from long-term debt	**681**	615
Repayment of long-term debt	**(381)**	(439)
Issuance of preferred shares	**20**	25
Redemption of preferred shares	**(130)**	–
Other financing activities	**(13)**	2
Decrease in cash on hand	**36**	26
	44	136

Cash flow from operations in 1995 was flat when compared with 1994. The decline in net earnings of $226 million was offset primarily by lower working capital requirements. Free cash flow increased by $92 million primarily as a result of lower capital expenditures, due to capital investment containment measures. In 1996, net capital expenditures are expected to be somewhat higher than they were in 1995.

Bell Canada's external financing requirements in 1995 totalled $555 million, representing the sum of $44 million negative free cash flow, the repayment of $148 million of long-term debt which matured, the refinancing, prior to maturity, of US $200 million of long-term debt, and the redemption of $130 million of preferred shares.

Funds from external sources were obtained, in 1995, by the public issue of $150 million of debentures in Canada, the public issue of $125 million of debentures and $148 million (150 million German marks) of notes in Europe, the public issue of US $200 million of debentures in the United States and the issuance of an additional $20 million of Class A Preferred Shares Series 13.

Effective August 1, 1995, Bell Canada increased its committed bank lines of credit in support of its commercial paper program to $800 million. Bell Canada's lines of credit are established at a level required to meet the seasonal needs of the business.

In 1996, $460 million of Bell Canada's long-term debt and other long-term liabilities will mature (including the early redemption of Series DC Debentures for an amount of $151 million on February 15, 1996). In addition, Bell Canada may take advantage of prevailing interest and preferred share dividend rates by refinancing existing long-term debt and preferred share issues that may be redeemed prior to maturity. On December 1, 1996, Bell Canada will have the option to redeem its $150 million, 7.76%, Retractable Preferred Shares Series 8. Bell Canada's cash requirements in 1996, including the repayment of long-term debt and for capital expenditures, are expected to be substantially met by internally generated funds. Any needs for long-term funds are expected to be met by the issuance of debt.

NORTEL

	1995	1994
		($ millions)
Net earnings	**644**	565
Depreciation and other non-cash operating items	**512**	444
Operating cash flow	**1,156**	1,009
Working capital and other items	**(1,488)**	160
Cash flow from (used for) operations	**(332)**	1,169
Capital expenditures	**(790)**	(532)
Common dividends	**(147)**	(125)
Preferred dividends	**(6)**	(6)
Investments	**(54)**	(187)
Divestitures	**5**	2,236
(Increase) decrease in long-term receivables	**(37)**	27
Other investing activities	**22**	42
Free cash flow	**(1,339)**	2,624

Financing activities:

Increase (decrease) in net borrowings	**85**	(1,402)
Net share issuance	**39**	85
Decrease (increase) in cash on hand	**1,215**	(1,307)
	1,339	(2,624)

Nortel's cash flow used for operations in 1995 of $332 million compares with cash flow from operations of $1,169 million in 1994, primarily reflecting increased working capital requirements, principally receivables and inventories. Nortel continues to focus on working capital as a key component of cash management. Capital expenditures increased in 1995. Nortel expects that the level of capital expenditures in 1996 will be substantially above 1995.

The competitive environment in which Nortel operates increasingly requires the provision of financing in connection with the purchase of products and services. As a result, Nortel is more frequently required to commit to provide significant amounts of customer financing, particularly in the emerging North American personal communication services market and international markets. Although Nortel has generally been able to place the financing of its products and services with third party lenders, it is anticipated that Nortel may be required to directly support significantly more financing in such markets in the short term, until such financings can be placed with third party lenders. Nortel expects to fund such financings from operations and conventional sources of external financing in the normal course.

Northern Telecom Limited (Northern Telecom) has US $500 million of debt securities and warrants to purchase debt securities registered with the United States Securities and Exchange Commission pursuant to a shelf registration program. Northern Telecom has also filed with the securities regulatory authorities in each of the provinces of Canada a short form shelf prospectus to issue up to $500 million of debt securities and warrants to issue debt securities under a Canadian shelf program. On April 26, 1995, Nortel entered into five-year and 364-day syndicated credit agreements to permit borrowings in an aggregate amount not to exceed US $1.5 billion, of which US $1 billion relates to the five-year agreements and US $500 million relates to the 364-day agreements. The entire amount of these committed facilities remains available. Nortel expects to meet its cash requirements from operations and conventional sources of external financing.

BELL CANADA INTERNATIONAL

BCI's working capital requirements during 1995 were funded by the receipt of dividends and management fees from investees. During 1995, BCI issued preferred shares of $737 million to BCE to repay indebtedness of a similar amount, relating primarily to the investments made in Jones and Comcel in 1994. Investments in 1995 totalled $51 million and were made primarily in Brazil, India, China and Colombia.

As part of its agreement to purchase a 29.9% interest in Jones in 1994, BCI committed to participate in future equity financing for up to an additional US $141 million in order to maintain its ownership interest and finance the growth of Jones. BCI also expects to continue the funding of its operations in India and to complete its investment requirement of $13.5 million in Brazil in 1996.

In September 1995, BCM issued US $275 million Senior Discount Notes due 2005, bearing a coupon rate of 11.875%, deferred for the first five years, to finance the continuation of its network buildout. In November 1995, Comcel secured refinancing through the issue of US $150 million Senior Deferred Coupon Bonds bearing interest at 13.125%, deferred for the first five years; a Senior Term Loan US $100 million, of which US $70 million has been drawn, bearing interest at London Interbank Offered Rate (LIBOR) plus 3.25% as well as term equipment financing US $50 million, of which US $43 million has been drawn, bearing interest at LIBOR plus 2.5%.

	1995	1994
		($ millions)
Dividends from subsidiary and associated companies	**981**	973
Interest, other corporate expenses and taxes	**(170)**	(143)
Repayment of advances by subsidiaries	**78**	9
Divestitures	**59**	5
Common dividends	**(848)**	(830)
Preferred dividends	**(87)**	(92)
Investments	**(81)**	(1,037)
Other	**33**	(67)
Free cash flow	**(35)**	(1,182)

Financing activities:

(Decrease) increase in debt	**(134)**	1,129
Redemption of preferred shares	**(618)**	–
Issuance of preferred shares	**590**	–
Common shares issued		
Employee stock savings plan	**97**	–
Dividend reinvestment plan and exercise of options	**100**	106
Purchase of common shares for cancellation	**–**	(53)
	35	1,182

On March 8, 1995, BCE Inc. issued in Europe $173 million of 9.95% Series 13 Notes, due March 9, 2000. During the second quarter, BCE Inc. arranged for $1.2 billion of committed commercial paper back-up facilities, $600 million of uncommitted back-up lines of credit and arranged for, drew down and swapped into Canadian dollar liabilities a US $400 million loan, due July 20, 2000. The Series 13 Notes and the US $400 million loan facility were used primarily to refinance short-term debt.

During 1995, Series M and O preferred shares were retired for $618 million. Share purchase warrants attached to the Series O preferred shares expired.

On June 29, 1995, BCE Inc. issued $400 million of Cumulative Redeemable First Preferred Shares, Series P. The 16,000,000 shares issued at $25 each carry a fixed rate of 6.4% payable quarterly. The preferred shares outstanding on or after April 15, 2002, will be redeemable at BCE Inc.'s option. On or after this date, the shares will also be convertible, at BCE Inc.'s option, into BCE Inc. common shares.

On November 22, 1995, BCE Inc. issued $200 million of Cumulative Redeemable First Preferred Shares, Series Q. Until December 1, 2000, the 8,000,000 shares issued at $25 each carry a fixed rate of 6.9% payable quarterly. Thereafter, the Series Q preferred shares will be entitled to floating adjustable cumulative preferred cash dividends. On the same date, the Series Q preferred shareholders can convert their shares into fixed rate Series R preferred shares.

During 1995, the credit ratings of Canada's telephone companies and related holding companies were reviewed. As an illustrative example, the Dominion Bond Rating Service (DBRS) reviewed and downgraded the credit ratings of BCE Inc. As at December 31, 1995, DBRS rated BCE Inc. as follows: Unsecured debt, A stable; Commercial Paper, R-1 (Mid) negative; Preferred Shares, P-2 negative.

The level of new investments by BCE Inc. in 1996 is currently expected to be comparable to that of 1995. In June 1996, $250 million of 10.375% Series 5 Notes come due.

OUTLOOK

This outlook, as well as certain other sections of this report, contains forward-looking statements with respect to either BCE Inc. or certain of its subsidiary or associated companies. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements.

CANADIAN TELECOMMUNICATIONS

In March 1995, Bell Canada initiated a three-year transition plan designed to restore its financial strength as it operates in an increasingly challenging competitive, regulatory and technological environment.

Significant resources have been committed to the business transformation program – a redesign of work processes that will enable Bell Canada to substantially reduce its cost structure while finding better and faster ways to serve its customers. To this end, an investment of $1.7 billion over three years is being made in process optimization, capital expenditures for equipment and software, and workforce reduction. The payoff will come in the form of operating expense reductions, platforms which will enable increases in revenues and reduced capital expenditures. The annual ongoing pre-tax cash benefits are expected to progressively increase to $1 billion at the conclusion of this program. 1995 expenditures for the business transformation program aggregated $293 million, while estimated cash benefits of $136 million were achieved. These amounts were both lower than management's original estimates due to delays in the early phases of the program, particularly the launching of the VSP. By year-end, however, employee reduction targets for 1995 had been exceeded.

The importance of customer satisfaction and service quality throughout the three-year transition plan remains paramount. Preserving and expanding Bell Canada's revenue base, which is critical to financial success, is a key element of the plan. This will depend on the ability to satisfy customers' telecommunications needs with value-rich solutions that combine technological innovation with high quality service.

An integral element of Bell Canada's three-year transition plan has been the pursuit of additional sources of revenues. This includes the development and promotion of new services. It also includes increasing rates for local service to levels more closely approximating the cost of providing service, whether through rate rebalancing or through general rate increases. The federal cabinet's December 1995 decision enabling Bell Canada to retain approximately $135 million in net revenues from the 1996 local rate increases, overturning the CRTC ruling that they should be matched by further long distance price reductions, is a positive development in this regard. It will permit Bell Canada to increase its research and development and capital spending in 1996, while staying on track with its three-year transition plan.

Bell Canada's goal is to return to historic levels of financial performance by the end of 1997. During 1996, Bell Canada expects to continue to experience growth in local service subscribers and losses in long distance market share. However, the benefits of the three-year transition plan are expected to enable net income applicable to common shares for 1996 to improve in comparison with 1995.

Bell Canada remains fully committed to the course of action embodied in its three-year transition plan and is confident that the fundamental changes it is implementing are expected to prove successful in improving its financial condition.

NORTEL

Nortel expects to continue to further its position as a global provider of telecommunications networks. Revenues outside of the U.S. and Canada are expected to grow as a percentage of total revenues, particularly in Asian markets.

BELL CANADA INTERNATIONAL

BCI remains committed to establishing itself as a leading provider of telecommunications services internationally. During 1996, BCI will focus primarily on the management and development of its current operations by securing a significant operational role in each investment and by leveraging BCE group core competencies. BCI will deliver incremental returns by selectively seeking new investments that will complement its existing businesses internationally.

DIRECTORIES

The Directories group continues to face intense competition from alternative media for the local and national advertising revenues. New technologies, used in tandem with its existing expertise, will allow the Directories group to compete effectively and successfully.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of BCE Inc. and its subsidiaries (collectively BCE), and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements of management, and in their opinion present fairly BCE's financial position, results of operations and changes in financial position. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

Management of BCE, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal controls and supports an extensive program of internal audits. Management believes the internal controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that BCE's assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies which govern ethical business conduct.

The board of directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the Corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the board of directors. The internal and the shareholders' auditors have free and independent access to the audit committee.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche, Chartered Accountants, and their report is presented below.

L. R. Wilson
Chairman, President and
Chief Executive Officer

R. W. Osborne
Executive Vice-President and
Chief Financial Officer

David Pappalardo
Vice-President and Comptroller

February 28, 1996

AUDITORS' REPORT

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheet of BCE Inc. and its subsidiaries as at December 31, 1995 and 1994, and the consolidated statements of operations, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1995. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1995, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

Montreal, Quebec
February 28, 1996

Consolidated Statement of Operations

For the years ended December 31	Notes	1995	1994	1993
			($ millions, except per share amounts)	
Revenues	(2)	**24,624**	21,670	19,827
Operating expenses		**19,434**	17,254	15,786
Research and development expense		**2,134**	1,606	1,395
Restructuring and other costs	(3)	**–**	–	1,479
Operating profit		**3,056**	2,810	1,167
Other income	(4)	**238**	692	188
Operating earnings		**3,294**	3,502	1,355
Interest expense – long-term debt		**1,154**	1,019	969
– other debt		**147**	192	253
Total interest expense		**1,301**	1,211	1,222
Earnings before income taxes and non-controlling interest		**1,993**	2,291	133
Income taxes	(5)	**(819)**	(769)	(390)
Non-controlling interest		**(392)**	(344)	416
Earnings from continuing operations		**782**	1,178	159
Loss from discontinued operations	(6)	**–**	–	(815)
Net earnings (loss)		**782**	1,178	(656)
Dividends on preferred shares		**(87)**	(92)	(94)
Net earnings (loss) applicable to common shares		**695**	1,086	(750)
Earnings (loss) per share				
Continuing operations		**2.23**	3.52	0.21
Discontinued operations		**–**	–	(2.65)
Net earnings (loss) per share		**2.23**	3.52	(2.44)
Dividends declared per common share		**2.72**	2.69	2.65
Average number of common shares outstanding (millions)		**311.5**	308.8	307.0

Consolidated Statement of Retained Earnings

For the years ended December 31	Notes	1995	1994	1993
				($ millions)
Balance at beginning of year		**3,136**	2,908	4,475
Net earnings (loss)		**782**	1,178	(656)
		3,918	4,086	3,819
Deduct:				
Dividends				
Preferred shares		**87**	92	94
Common shares		**848**	830	814
		935	922	908
BCE Inc. common shares purchased for cancellation	(15)	**–**	28	–
Costs related to issuance and redemption of share capital of BCE Inc. and of subsidiaries		**16**	–	3
		951	950	911
Balance at end of year		**2,967**	3,136	2,908

Consolidated Balance Sheet

At December 31	Notes	1995	($ millions) 1994
ASSETS			
Current assets			
Cash and short-term investments, at cost (approximates market value)		**187**	1,367
Accounts receivable	(7)	**6,071**	5,043
Inventories	(8)	**2,361**	1,624
Prepaid expenses		**325**	312
Deferred income taxes		**274**	451
Total current assets		**9,218**	8,797
Investments in associated and other companies	(9)	**3,470**	3,965
Capital assets, net	(10)	**22,597**	22,612
Long-term notes and other receivables		**785**	738
Deferred charges	(11)	**1,403**	1,126
Goodwill		**1,224**	854
Total assets		**38,697**	38,092
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**6,365**	6,087
Income and other taxes payable		**70**	199
Debt due within one year	(12)	**2,077**	2,019
Total current liabilities		**8,512**	8,305
Long-term debt	(13)	**11,880**	11,434
Deferred income taxes		**1,889**	2,025
Other long-term liabilities		**1,043**	999
Total liabilities		**23,324**	22,763
Non-controlling interest		**4,084**	3,977
Preferred shares	(14)	**1,250**	1,229
COMMON SHAREHOLDERS' EQUITY			
Common shares	(15)	**6,011**	5,813
Common share purchase warrants	(16)	**–**	38
Contributed surplus		**1,003**	1,003
Retained earnings		**2,967**	3,136
Currency translation adjustment	(17)	**58**	133
Total common shareholders' equity		**10,039**	10,123
Commitments and contingent liabilities	(19)		
Total liabilities and shareholders' equity		**38,697**	38,092

On behalf of the Board of Directors:

Director

Director

Consolidated Statement of Changes in Financial Position

For the years ended December 31	Notes	*1995*	*1994*	*($ millions)* *1993*
Cash provided by (used for) operations				
Earnings from continuing operations		**782**	1,178	159
Items not affecting cash				
Depreciation and amortization		**2,970**	2,871	2,585
Restructuring and other costs	(3)	–	–	624
Gain on reduction of ownership in subsidiary and associated companies	(4)	**(14)**	(151)	–
Non-controlling interest		**392**	344	157
Deferred income taxes		**(170)**	9	157
Equity in net earnings of associated companies lower than (in excess of) dividends received		**17**	(50)	25
Other non-cash items		**(98)**	(152)	(23)
Operating cash flow		**3,879**	4,049	3,684
(Increase) decrease in working capital		**(1,197)**	269	(1,422)
Other items		**(315)**	(60)	13
Net cash provided by operations		**2,367**	4,258	2,275
Cash provided by (used for) investments				
Capital expenditures		**(2,804)**	(2,811)	(3,210)
Investments		**(174)**	(1,035)	(420)
Long-term notes and other receivables		**(64)**	73	(170)
Divestitures		**86**	2,236	740
Other items		**61**	(307)	134
Net cash used for investments		**(2,895)**	(1,844)	(2,926)
Cash provided by (used for) financing				
Notes payable and bank advances		**(888)**	(279)	(206)
Addition to long-term debt		**2,152**	1,206	2,923
Reduction of long-term debt		**(836)**	(990)	(1,319)
Issue of preferred shares		**590**	–	–
Redemption of preferred shares		**(618)**	–	–
Redemption of preferred shares by subsidiaries		**(131)**	–	(158)
Issue of common shares		**197**	106	122
Purchase of common shares for cancellation		–	(53)	–
Issue of preferred and common shares by subsidiaries to non-controlling interests		**74**	90	131
Other items		**(47)**	(166)	105
Net cash provided by (used for) financing		**493**	(86)	1,598
Dividends declared				
By BCE Inc.				
Preferred shares		**(87)**	(92)	(94)
Common shares		**(848)**	(830)	(814)
By subsidiaries to non-controlling interests		**(210)**	(160)	(155)
Dividends declared		**(1,145)**	(1,082)	(1,063)
Net (decrease) increase in cash and short-term investments		**(1,180)**	1,246	(116)
Cash and short-term investments at beginning of year		**1,367**	121	237
Cash and short-term investments at end of year		**187**	1,367	121

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and all amounts are in Canadian dollars unless otherwise indicated. Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year presentation.

Most of BCE's telecommunications subsidiary and associated companies are subject to the jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC) in various respects including rates, costing and accounting practices. The CRTC is an agency of the Canadian government. The CRTC has determined to fundamentally restructure the manner in which it regulates the telephone companies under its jurisdiction, including Bell Canada. It is engaged in a series of proceedings to implement a framework for increased competition and reduced regulation. The impact, if any, that these developments may have on the accounting practices and financial statements of entities regulated by the CRTC will depend on the outcome of these implementation proceedings.

With respect to the financial statements of BCE Inc. (the Corporation) and its consolidated subsidiaries (collectively BCE), the important differences between Canadian and United States GAAP are described and reconciled in note 20.

CONSOLIDATION

The financial statements of entities which are controlled by the Corporation are consolidated; associated companies, which the Corporation has the ability to significantly influence, generally representing 20 to 50 per cent ownership, are accounted for using the equity method; investments in other companies are accounted for using the cost method.

Effective January 1, 1995, a change in Canadian GAAP has necessitated the proportionate consolidation of interests in joint ventures (note 21). As a result, the Corporation no longer uses the equity method to account for these investments. Earnings per share are unaffected by this change.

Intercompany earnings on the sales of telecommunications equipment from Northern Telecom (Nortel) to the regulated subsidiaries of BCE are deemed to be realized and are not eliminated on consolidation. The sales price on such equipment is recognized for rate-making purposes by the CRTC and other regulators. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization of capital assets, including software acquired and developed internally, are generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. The rates used by the regulated entities are reviewed and approved by the CRTC as part of the rate setting process.

RESEARCH AND DEVELOPMENT (R&D)

R&D costs are charged to earnings in the periods in which they are incurred, except for costs incurred pursuant to specific contracts with third parties, which are charged to earnings in the same period as the related revenue is recognized. Related investment tax credits reduce R&D expense in the same period in which the related expenditures are charged to earnings, provided there is reasonable assurance the benefits will be realized.

TRANSLATION OF FOREIGN CURRENCIES

Self-sustaining operations, which comprise most of the Corporation's foreign subsidiaries and associated companies, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses, net of related hedging activities, are accumulated in and reported as currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

Integrated subsidiaries are financially or operationally dependent on the parent company. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses of integrated subsidiaries and those subsidiaries operating in hyperinflationary economic environments are reflected in net earnings.

1. ACCOUNTING POLICIES *(continued)*

TRANSLATION OF FOREIGN CURRENCIES (continued)

Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in net earnings of the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges or other long-term liabilities and amortized to earnings on a straight-line basis over the remaining lives of the related items.

POSTEMPLOYMENT BENEFITS

Under its benefit plans, the Corporation and most of its subsidiary companies provide employees various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement, under specified circumstances. The cost of providing these benefits is charged to earnings as expenditures are incurred.

POSTRETIREMENT BENEFITS

The Corporation and most of its subsidiary companies provide pension and certain health care and life insurance benefits for employees on retirement. The cost of these benefits is generally charged to earnings as expenditures are incurred. The accounting for pension costs is outlined in Note 18.

INCOME TAXES

The Corporation and its subsidiaries other than those which are regulated carriers use the deferral method of accounting for income taxes. The regulated carriers use the liability method of accounting for income taxes whereby deferred income tax balances are adjusted to reflect changes to income tax rates. The resulting adjustments are taken into earnings in the year in which the changes occur. The deferred income tax balances reported on the consolidated balance sheet result from timing differences in the recognition of income and expense for financial statement and income tax purposes.

GOODWILL

Goodwill represents the excess of cost of investments over the fair value of the net assets acquired and is being amortized to earnings on a straight-line basis, over a maximum period of 40 years. The carrying value of goodwill is evaluated for potential permanent impairment on an ongoing basis. In order to determine whether permanent impairment exists, BCE's management considers each business unit's financial condition, as well as expected pre-tax earnings, cash flows or market-related values. Any permanent impairment in the value of goodwill is written off against earnings in the year such impairment is recognized. Total goodwill amortization charged to operations, including that in equity in net earnings of associated companies, amounted to $90 million in 1995, $57 million in 1994 and $84 million in 1993.

EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares outstanding and are calculated after deducting dividends on preferred shares. The dilutive effect on earnings per share, after the assumed exercise of stock options, is insignificant.

INVENTORIES

Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) and net realizable value. The cost of finished goods and work in process inventories is comprised of material, labour and manufacturing overhead.

BUSINESS TRANSFORMATION PROGRAM AND WORKFORCE REDUCTION COSTS

In March 1995, Bell Canada announced that, as a key element in its three-year transition plan to restore its financial strength, it would be implementing a business transformation program (business transformation) which is expected to result in substantial ongoing cash benefits through cost structure reduction. Business transformation has an approved budget of $1.7 billion over the three-year period (1995-1997), of which approximately $450 million is to be spent on capital expenditures for equipment and software which are accounted for in accordance with Bell Canada's ongoing policies for property, plant and equipment. Consistent with the methodology directed by the CRTC for workforce reduction programs, the remaining business transformation costs, representing workforce transition and process optimization costs, are deferred and amortized over the five years following the month in which they are incurred.

1. ACCOUNTING POLICIES *(continued)*

BUSINESS TRANSFORMATION PROGRAM AND WORKFORCE REDUCTION COSTS (continued)

During 1995, $261 million of workforce reduction and process optimization costs were incurred and deferred, of which $7 million was amortized as operating expenses.

Business transformation follows earlier workforce reduction programs aimed at reducing Bell Canada's cost structure. In accordance with a 1994 CRTC ruling on workforce reduction programs, since 1994, the costs associated with these prior programs are deferred when they are incurred and amortized over the following five years. During 1995, $155 million ($133 million in 1994) related to these continuing workforce and cost reduction programs was incurred and deferred, and $41 million ($27 million in 1994) was amortized as operating expenses during the year.

2. INDUSTRY SEGMENTS INFORMATION

BCE operates the following business segments:

Canadian Telecommunications – provides a full range of telecommunications services in Canada;

Nortel – provides research, design, development, manufacture, marketing, sale, financing, installation, servicing and support of switching networks, enterprise networks, wireless networks, broadband networks and other products and services;

Bell Canada International (BCI) – is active in the wireline, cable/phone and wireless segments of the telecommunications industry, principally in the United Kingdom, the United States, Colombia, Brazil, China, India, Japan and New Zealand;

Directories – publishes telephone and other directories in Canada and internationally; and

Corporate – BCE Inc. is a strategic management company whose major activities include strategy development, human resources management, capital allocation, goal setting and performance monitoring. Corporate results include interest expense, gains and losses on sales of corporate investments, administrative expenses and related income taxes.

2. INDUSTRY SEGMENTS INFORMATION *(continued)*

($ millions)

Business segments	*Canadian Telecommunications*	*Nortel*	*Bell Canada International*	*Directories*	*Corporate*	*Eliminations*	*Total*
1995							
Revenues	**9,174**	**14,626** (i)	**223**	**570**	**31**	–	**24,624**
Operating profit	**1,979**	**1,022**	**4**	**107**	**(56)**	–	**3,056**
Earnings (loss) from continuing operations (ii)	**574**	**334**	**(66)**	**50**	**(110)**	–	**782**
Assets	**22,510**	**12,836**	**2,662**	**267**	**2,062**	**(1,640)**	**38,697**
Capital expenditures	**1,923**	**790**	**76**	**5**	**10**	–	**2,804**
Depreciation and amortization	**2,242**	**681**	**25**	**9**	**13**	–	**2,970**
BCE investments, at equity (iii)	**9,033**	**2,617**	**2,083**	**39**	**711**	–	**14,483**
1994							
Revenues	8,868	12,137 (i)	138	518	9	–	21,670
Operating profit	2,235	575	(52)	107	(55)	–	2,810
Earnings (loss) from continuing operations (ii)	809	291	162	45	(129)	–	1,178
Assets	22,246	12,363	2,735	208	1,951	(1,411)	38,092
Capital expenditures	1,983	532	110	6	180	–	2,811
Depreciation and amortization	2,205	623	28	8	7	–	2,871
BCE investments, at equity (iii)	9,291	2,360	2,099	39	839	–	14,628
1993							
Revenues	8,614	10,550 (i)	138	525	–	–	19,827
Operating profit	2,287	(1,125)	(52)	123	(66)	–	1,167
Earnings (loss) from continuing operations (ii)	749	(583) (iv)	58	61	(126)	–	159 (iv)
Assets	22,079	12,608	1,517	217	1,170	(883)	36,708
Capital expenditures	2,488	608	101	9	4	–	3,210
Depreciation and amortization	1,907	652	8	6	12	–	2,585
BCE investments, at equity (iii)	9,227	2,066	1,248	46	573	–	13,160

(i) Nortel revenues comprise revenues from:

($ millions)

	1995	*1994*	*1993*
Bell Canada	**663**	585	978
Other telecommunications subsidiary and associated companies of BCE Inc.	**269**	270	413
Other customers	**13,694**	11,282	9,159
Total	**14,626**	12,137	10,550

Telecommunications equipment manufacturing sales of Nortel to BCE and associated companies are made on arm's length terms. Sale prices and terms are based on those prevailing in the market for equivalent material and services under comparable conditions.

(ii) Represents each segment's contribution to BCE's earnings (loss) from continuing operations.

(iii) Investments are reported on an "equity" basis and comprise BCE's cumulative investment made in each operating business segment plus BCE's share of the cumulative segment earnings less dividends received from the segment.

(iv) Includes the BCE share of Nortel's restructuring and other costs amounting to $624 million.

2. INDUSTRY SEGMENTS INFORMATION *(continued)*

($ millions)

Geographic segments (i)	*Canada*	*U.S.*	*Europe*	*Other*	*Eliminations*	*Total*
1995						
Total revenues	**14,939**	**8,937**	**4,052**	**1,541**	**(4,845)**	**24,624**
Transfers between geographic areas	**(3,261)**	**(887)**	**(522)**	**(175)**	**4,845**	**–**
Revenues from customers	**11,678**	**8,050**	**3,530**	**1,366**	**–**	**24,624**
Operating earnings before R&D expense and restructuring and other costs	**2,884**	**1,881**	**598**	**65**	**–**	**5,428**
Identifiable assets	**26,451**	**5,763**	**6,129**	**2,053**	**(1,699)**	**38,697**
1994						
Total revenues	14,190	8,058	2,251	798	(3,627)	21,670
Transfers between geographic areas	(2,738)	(595)	(135)	(159)	3,627	–
Revenues from customers	11,452	7,463	2,116	639	–	21,670
Operating earnings before R&D expense and restructuring and other costs	3,022	1,744	354	(12)	–	5,108
Identifiable assets	26,196	6,098	6,262	1,250	(1,714)	38,092
1993						
Total revenues	13,255	6,327	2,180	585	(2,520)	19,827
Transfers between geographic areas	(1,733)	(532)	(82)	(173)	2,520	–
Revenues from customers	11,522	5,795	2,098	412	–	19,827
Operating earnings before R&D expense and restructuring and other costs	3,096	926	240	(33)	–	4,229
Identifiable assets	26,165	5,602	6,187	501	(1,747)	36,708

Earnings	*Operating earnings before R&D expense and restructuring and other costs*	*R&D expense*	*Restructuring and other costs*	*Operating earnings*	*Interest expense, income taxes and non-controlling interest*	*Earnings from continuing operations*
1995	**5,428**	**2,134**	**–**	**3,294**	**2,512**	**782**
1994	5,108	1,606	–	3,502	2,324	1,178
1993	4,229	1,395	1,479	1,355	1,196	159

(i) The point of origin (the location of the selling organization) of revenues and the location of the identifiable assets determine the geographic area.

3. RESTRUCTURING AND OTHER COSTS

On July 21, 1993, Nortel announced $1,479 million (US $1,161 million) in special charges for a restructuring program (US $409 million pre-tax), a new software initiative (US $252 million pre-tax), and a goodwill write-down (US $500 million). The impact of these special charges on BCE's 1993 net loss was $624 million.

As at December 31, 1995, the remaining restructuring and software initiative provisions included in other accrued liabilities were US $38 million and nil, respectively. As at December 31, 1994, the outstanding provisions were US $149 million and US $65 million, respectively.

4. OTHER INCOME

			($ millions)
	1995	*1994*	*1993*
Gain on reduction of ownership in subsidiary and associated companies (a)	**14**	151	–
Gain (loss) on disposal of investments			
Optical fiber businesses (b)	**–**	179	–
Mexican cellular businesses	**–**	–	63
TransCanada PipeLines Limited	**–**	–	39
Other (c)	**55**	–	(1)
Equity in net earnings of associated companies	**42**	113	11
Interest income	**233**	199	73
Other	**(106)**	50	3
Total other income	**238**	692	188

(a) In March 1995, BCI recognized a gain of $14 million on the reduction of Bell Cablemedia plc's (BCM) share of ownership in Videotron Holdings plc (Videotron) from 30.8% to 26.2%, as a result of Videotron's completion of an initial public offering of US $140 million representing approximately 15% of its share capital.

In July 1994, BCI recognized a gain of $151 million on the reduction of its ownership, from 80% to 42.2%, in BCM, that resulted from BCM's acquisition of additional U.K. cable properties and initial public offering.

(b) In February 1994, Nortel completed the sale of its optical fiber and fiber cable manufacturing facilities in Saskatoon, Saskatchewan, resulting in a gain of $132 million. In December 1994, Nortel sold the connection, protection and optical fiber management systems businesses, resulting in a gain of $47 million.

(c) During 1995, BCE sold portfolio investments in Pairgain Systems Inc. and Plaintree Technologies Inc. and realized aggregate gains of $55 million.

5. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes follows:

			($ millions)
	1995	**1994**	**1993**
Earnings before income taxes and non-controlling interest			
Canadian	**1,346**	1,972	1,278
Other	**647**	319	(1,145)
Total earnings before income taxes and non-controlling interest	**1,993**	2,291	133
Statutory income tax rate in Canada	**42.2%**	41.9%	42.0%
Income taxes at Canadian statutory rates	**841**	960	56
Large corporations tax	**37**	31	30
Amortization of deferred tax adjustment	**–**	(44)	(58)
Difference between Canadian statutory rates and those applicable to restructuring and other costs	**–**	–	345
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(53)**	(26)	(21)
Equity in net earnings of associated companies	**(18)**	(47)	(4)
Gain on reduction of ownership in subsidiary and associated companies	**(6)**	(63)	–
Other	**18**	(42)	42
Total income taxes	**819**	769	390

Details of income taxes:

			($ millions)
	1995	**1994**	**1993**
Income taxes			
Canadian	**536**	632	567
Other	**283**	137	(177)
Total income taxes	**819**	769	390
Income taxes			
Current	**573**	719	534
Deferred	**246**	50	(144)
Total income taxes	**819**	769	390

Deferred income taxes result from deductions for tax purposes, principally in respect of buildings, plant, and machinery and equipment, in excess of amounts currently charged to operations.

In accordance with a July 1989 CRTC Telecom decision, a $293 million deferred tax adjustment was recorded by BCE in 1989 and amortized as a reduction of the income taxes over a five-year period ended September 1994.

6. DISCONTINUED OPERATIONS

In 1993, BCE reported its financial services and real estate activities carried out by Montreal Trustco and BF Realty Holdings Limited and its principal subsidiary, Brookfield Development Corporation (Brookfield), respectively, as discontinued operations and recorded a provision of $1,200 million ($750 million after recovery of income taxes). Also included in discontinued operations was the operating loss of Montreal Trustco of $65 million (net of income taxes recoverable of $46 million). The revenues of Montreal Trustco for 1993 amounted to $1,146 million.

In April 1994, the disposal of Montreal Trustco to The Bank of Nova Scotia (BNS) was completed. BCE received certain Montreal Trustco real estate properties, some of which have been sold, and 10 million BNS common shares.

Also in April 1994, BCE completed the disposition of its investments relating to real estate activities to Carena Developments Limited. Subsequent to the 1994 transaction, BCE became the owner of certain interest-bearing notes issued by Brookfield maturing in 1997 and 2002. The notes had been held by BCE as security in the event it was called upon to honour a guarantee given in the past on behalf of a subsidiary of BF Realty Holdings Limited. As part of the 1994 transaction, BCE purchased a 70% interest in a Montreal office building, where BCE and a number of its subsidiaries maintain their headquarters, for $34 million and the assumption of $146 million of debt.

7. ACCOUNTS RECEIVABLE

At December 31, 1995 and 1994, accounts receivable of $6,071 million and $5,043 million, respectively, were comprised of trade receivables, net of provisions for uncollectibles of $114 million in 1995 ($111 million in 1994). Bell Canada and Nortel have programs to sell trade receivables on a revolving basis, and had sold, with limited recourse, accounts receivable for cash proceeds of $1,516 million and $1,074 million at December 31, 1995 and 1994, respectively.

8. INVENTORIES

Inventories of $2,361 million in 1995 ($1,624 million in 1994) included raw materials of $552 million ($346 million in 1994), work in process of $398 million ($392 million in 1994) and finished goods of $1,411 million ($886 million in 1994).

9. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES

(Investments accounted for using the equity method, except where otherwise noted)

	Percentage Ownership (%)		*($ millions)*	
At December 31	**1995**	**1994**	**1995**	**1994**
Canadian Telecommunications				
Teleglobe Inc.	24.3*	24.4*	**260**	250
Maritime Telegraph and Telephone Company, Limited (MT&T) (a)	36.1	36.0	**180**	181
Bruncor Inc.	45.0	42.6	**164**	150
Telesat Canada (b)	58.5	58.5	**149**	158
Investments, at cost			**133**	53
Nortel				
Matra Communication S.A.S. (c)			**23**	506
ICL PLC, at cost			**142**	149
Investments, at cost			**70**	66
Other			**7**	21
Bell Canada International				
Mercury Communications Limited	20.0	20.0	**1,126**	1,137
Jones Intercable, Inc. (Jones) (d)	30.2*	29.9*	**447**	485
Bell Cablemedia plc	42.2	42.2	**357**	418
Clear Communications Limited	25.0	25.0	**40**	38
Investments, at cost			**22**	15
Other			**9**	–
Directories			**12**	8
Corporate				
Bank of Nova Scotia, at cost (note 6)			**300**	300
Investments, at cost			**29**	30
Total investments in associated and other companies (e)			**3,470**	3,965

* Fully diluted

(a) **MT&T**

BCE's 36.1% interest represents 10,254,058 common shares (10,109,707 common shares in 1994). A Nova Scotia statute provides that no more than 1,000 shares of MT&T may be voted by any one shareholder.

(b) **Telesat Canada**

At December 31, 1995 and December 31, 1994, BCE's voting interest was 26.1%.

(c) **Matra Communication S.A.S.**

On June 30, 1994, Nortel signed an agreement with Lagardère Groupe SCA (Lagardère) which effectively replaces agreements signed on July 2, 1992, pertaining to Matra Communication S.A.S. (Matra Communication), a French subsidiary of Lagardère in which Nortel has held a 20% equity participation. As a consequence of the new agreement, Nortel has increased its equity participation in Matra Communication such that Nortel and Lagardère currently each hold 50% of the outstanding share capital of Matra Communication. Further, Nortel increased its direct equity participation in Nortel Matra Cellular SCA, a company which it jointly owns with Matra Communication, to 66%. The transactions represented an additional investment by Nortel of approximately US $145 million. In addition, Nortel converted an existing debenture valued at approximately US $150 million, as contemplated by the July 2, 1992 agreements.

In a related agreement, Lagardère may, under specific circumstances, require Nortel to purchase all or part of its equity participation in Matra Communication at a formula price, currently estimated at approximately 1.7 billion French francs (approximately US $351 million) for all its equity participation, with consideration consisting of a long-term interest-bearing note.

Beginning in 1995, Nortel's interest in Matra Communication is accounted for using the proportionate consolidation method (note 21).

9. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES *(continued)*

(d) **Jones**
During 1994, BCE acquired a 29.9% interest (fully diluted) in Jones, 12.8% voting interest, for a total cash consideration of US $259 million and interests in other Jones assets for US $35 million. In addition, BCE paid US $55 million for an option to acquire a controlling interest in Jones. This option will be exercisable in 2002, or earlier under certain circumstances. BCE has also committed to participate in future equity financing for up to an additional US $141 million in order to finance the growth of Jones and to maintain its ownership interest.

(e) The goodwill implicit in investments in associated and other companies amounted to $902 million at December 31, 1995 ($1,366 million in 1994 including $408 million attributable to Matra Communication).

10. CAPITAL ASSETS, NET

At December 31	*1995*		*1994* *($ millions)*	
	Cost	**Net book value**	Cost	Net book value
Land	**252**	**252**	245	245
Buildings	**4,041**	**2,685**	3,901	2,640
Plant	**24,252**	**14,531**	23,779	14,993
Machinery and equipment	**9,153**	**3,902**	7,980	3,476
Plant under construction	**696**	**696**	681	681
Other	**559**	**531**	615	577
Total capital assets	**38,953**	**22,597**	37,201	22,612

Depreciation and amortization of capital assets for the year 1995 amounted to $2,790 million ($2,720 million in 1994).

11. DEFERRED CHARGES

At December 31	*1995*	*1994* *($ millions)*
Deferred pension asset (note 18)	**381**	436
Business transformation program and workforce reduction costs, net of amortization	**474**	106
Unrealized foreign currency losses, net of amortization	**133**	199
Debt issue expenses, net of amortization	**105**	83
Other	**310**	302
Total deferred charges	**1,403**	1,126

Amortization of deferred charges for the year 1995 amounted to $159 million ($155 million in 1994).

12. DEBT DUE WITHIN ONE YEAR

At December 31	1995	1994
		($ millions)
Bank advances	**68**	23
Notes payable	**878**	1,641
Long-term debt due within one year	**1,131**	355
Total debt due within one year	**2,077**	2,019

Notes payable are issued in Canadian and U.S. dollars at market rates for commercial paper. The notes payable in U.S. dollars amounted to $722 million (US $529 million) at December 31, 1995, and to $394 million (US $281 million) at December 31, 1994, a portion of which is designated as a hedge against the foreign currency exposure relating to BCE's investments in the United States.

13. LONG-TERM DEBT

At December 31					1995	1994
						($ millions)
BCE Inc.						
10.375% Series 5 Notes due 1996					**250**	250
8.5% Series 6 Notes due 1997					**250**	250
9% Series 7 Notes due 1997					**300**	300
8.375% Series 9 Notes (£ 125 million) due 1998 (a)					**265**	275
7.125% Series 10 Notes ($300 million) due 1998, swapped to pound sterling principal and interest of 6.815% (a)					**324**	346
8.75% Series 11 Notes due 1999					**200**	200
7.813% Series 12 Notes (£ 50 million) due 1999, swapped to Canadian dollar principal and interest of 8.82%					**105**	105
9.95% Series 13 Notes due 2000					**173**	–
8.95% Series 8 Notes ($300 million) due 2002, swapped to pound sterling principal and interest of 9.232% (a)					**294**	315
LIBOR* plus 0.25% term credit facility (US $400 million) due 2000, swapped to Canadian dollar principal and interest with fixed rate of 7.722%					**550**	–
Other					**163**	148
Total – BCE Inc.					**2,874**	2,189
Bell Canada						
Rate of interest	5.62 – 8.875%	9 – 9.875%	10 – 10.875%	11 – 13.875%		
Debentures and notes (b)						
Due 1995	–	–	–	–	**–**	125
1996	–	250	–	–	**250**	250
1997	175	–	–	–	**175**	175
1998	372	–	125	–	**497**	504
1999	–	436	150	–	**586**	590
2000	273	–	150	250	**673**	400
2001 – 2010	896	1,048	600	425	**2,969**	2,841
2011 – 2054	–	400	800	125	**1,325**	1,325
Other					**76**	79
Total – Bell Canada					**6,551**	6,289

*London Interbank Offered Rate

13. LONG-TERM DEBT *(continued)*

At December 31	1995	($ millions) 1994
Nortel		
9.6% Notes (US $60 million) due in equal annual installments, 1996 and 1997	82	84
8.25% Notes (US $250 million) due 1996, swapped to pound sterling principal and interest of 10.6%	314	329
7.45% Notes ($300 million) due 1998, swapped to pound sterling principal and interest with average floating rate of 6.8%	346	362
8.75% Notes (US $250 million) due 2001, swapped to pound sterling principal and interest of 10.75%	314	329
6.875% Notes (US $300 million) due 2002	408	422
6% Notes (US $200 million) due 2003	272	282
6.875% Notes (US $200 million) due 2023	272	282
Other	104	67
Total – Nortel	2,112	2,157
Other subsidiaries	1,474	1,154
Total long-term debt	13,011	11,789
Less: due within one year	1,131	355
Long-term debt	11,880	11,434

(a) Series 8, Series 9 and Series 10 are designated as a hedge against foreign currency exposure relating to BCE's investments in the United Kingdom.

(b) Debentures and notes include US $400 million maturing in 2006 and 2010; 300 million Swiss francs, due 2003, and Canadian $380 million, due 1998 and 1999, swapped into U.S. dollar obligations as to principal and interest obligations; and 150 million German marks, due 2000, swapped into Canadian dollar obligations as to principal and interest obligations. In December 1993, Bell Canada sold 2,000 debenture warrants for a net aggregate amount of $48 million (US $35 million), included in Other long-term liabilities. The warrants entitled the holders to purchase US $200 million of 9.5% Debentures, Series ES, on October 16, 1995. The warrants were exercised and the net proceeds from the purchase of the Series ES Debentures, together with funds from other sources, were used to redeem Bell Canada 13⅜% Debentures, Series DJ, due 2010, on October 15, 1995.

Maturities of long-term debt outstanding at December 31, 1995 are summarized below:

Years ending December 31	1996	1997	1998	1999	($ millions) 2000
BCE Inc.	269	569	741	313	731
Bell Canada	301	185	499	587	675
Nortel	431	57	349	2	2
Other	130	55	210	34	329
Total maturities	1,131	866	1,799	936	1,737

14. PREFERRED SHARES

Authorized

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching thereto.

At December 31		**1995**		**1994**
Outstanding	**Number of shares**	**Stated capital** ***($ millions)***	Number of shares	Stated capital *($ millions)*
First Preferred Shares				
Series J shares (a)	**600**	**300**	600	300
Series N shares (a)	**700**	**350**	700	350
Series P shares (b)(g)	**16,000,000**	**400**	–	–
Series Q shares (c)(g)	**8,000,000**	**200**	–	–
$1.95 shares, Series M (e)	–	–	8,000,000	200
Series O shares (f)	–	–	10,000,000	379
Total outstanding		**1,250**		1,229

(a) **Series J and Series N Shares**
The Cumulative Redeemable First Preferred Shares, Series J and Series N were issued by way of private placement at $500,000 per share in March 1989 and October 1989, respectively. The dividend rate on both series is determined by one of the following: direct negotiation between the Corporation and holders of the shares; bids solicited from investment dealers; or an auction procedure. The dividend rate on both series is currently determined pursuant to the auction procedure under which it may not exceed 0.4% plus the Bankers' Acceptance Rate as such term is defined in the Articles of Amendment creating the Series J and the Series N shares. The Series J and the Series N shares, which are non-voting except in certain circumstances where holders thereof are entitled to 5,000 votes per share, are redeemable, at the Corporation's option, at a price of $500,000 per share.

(b) **Series P shares**
The $1.60 Cumulative Redeemable First Preferred Shares, Series P were issued in June 1995 at $25 per share to yield 6.4%. The Series P preferred shareholders are entitled to fixed cumulative annual dividends of $1.60 per share payable quarterly. These shares are convertible, at the holder's option, on or after July 15, 2002 on the 15th day of January, April, July and October of each year, into that number of common shares of the Corporation determined by dividing $25 by the greater of $3 and 95% of the weighted average trading price of the Corporation's common shares determined in the manner set out in the Articles of Amendment creating the Series P shares, subject to the right of the Corporation to redeem or to find substitute purchasers for such shares. The Corporation may, on or after April 15, 2002, redeem the Series P shares at $25 per share or may, subject to the approval of certain stock exchanges, convert such shares into common shares of the Corporation on the same basis as described above. The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder.

14. PREFERRED SHARES *(continued)*

(c) **Series Q shares**

The Cumulative Redeemable First Preferred Shares, Series Q were issued in November 1995 at $25 per share. Until December 1, 2000, the Series Q preferred shareholders are entitled to fixed cumulative annual dividends of $1.725 per share (6.9% yield) payable quarterly. Thereafter, the Series Q preferred shareholders will be entitled to floating adjustable cumulative dividends payable monthly commencing with the month of January 2001, with the annual floating dividend rate for the first month equal to 80% of Prime, as such term is defined in the Articles of Amendment creating the Series Q shares. The dividend rate, thereafter, will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis based on the market value of the Series Q shares. These shares are convertible, subject to certain conditions, at the holder's option, on December 1, 2000 and on December 1 every five years thereafter, into Cumulative Redeemable First Preferred Shares, Series R described in (d) below of the Corporation on a share-for-share basis. If the Corporation determines that there would be outstanding on a conversion date less than one million Series Q shares, such remaining number of shares shall automatically be converted into an equal number of Series R shares. If the Corporation determines that there would be outstanding on a conversion date less than one million Series R shares, then no Series Q shares shall be converted into Series R shares. On December 1, 2000, the Corporation may redeem the Series Q shares at $25 per share and subsequent to December 1, 2000, the Corporation may redeem at any time such shares at $25.50 per share.

(d) **Series R shares**

On October 25, 1995, the Board of Directors of the Corporation authorized the creation of 8,000,000 Cumulative Redeemable First Preferred Shares, Series R. No Series R shares are currently outstanding. Series R shares may not be issued by the Corporation until December 1, 2000. Series R preferred shareholders will be entitled to fixed cumulative dividends payable quarterly. The dividend rate applicable to the Series R shares shall be set by the Corporation prior to the start of each five-year dividend period starting with the five-year dividend period beginning on December 1, 2000. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada Yield, as such term is defined in the Articles of Amendment creating the Series R shares. These shares will be convertible, subject to certain conditions, at the holder's option, on December 1, 2005 and on December 1 every five years thereafter, into Series Q shares on a share-for-share basis. On December 1, 2005 or on December 1 every five years thereafter, the Corporation may redeem the Series R shares at $25 per share.

(e) **$1.95 shares, Series M**

On April 30, 1995, 86,017 $1.95 shares were retracted at $25 per share. The remaining shares were redeemed on October 31, 1995 at $25 per share.

(f) **Series O shares**

On April 27, 1995, 9,840,287 Series O shares were retracted at $41.75 per share. On April 28, 1995, 12,300 Series O shares were converted into common shares of the Corporation. The remaining shares were redeemed at the Corporation's option on July 14, 1995 at $41.75 per share.

(g) The Series P, Q and R shares are non-voting except in certain circumstances when the holders of such shares are entitled to one vote per share.

15. COMMON SHARES

Authorized: an unlimited number of common shares

At December 31	*1995*		*1994*	
	Number of shares	**Stated capital** ***($ millions)***	Number of shares	Stated capital *($ millions)*
Outstanding	**313,820,644**	**6,011**	309,290,217	5,813

Changes in the number of common shares outstanding during the last three years:

At December 31	*1995*		*1994*		*1993*	
	Number of shares	**Stated capital** ***($ millions)***	Number of shares	Stated capital *($ millions)*	Number of shares	Stated capital *($ millions)*
Shares issued						
For cash						
Shareholder Dividend Reinvestment and Stock Purchase Plan	**2,228,951**	**98**	2,140,214	102	2,371,011	104
Employees' Savings Plan	**2,233,499**	**97**	–	–	–	–
Exercise of options	**53,777**	**2**	89,836	4	243,662	10
Conversion of common share purchase warrants and preferred shares	**14,200**	**1**	3,000	–	–	–
Shares issued in exchange for shares of another company	**–**	**–**	–	–	200,551	8
Shares purchased for cancellation	**–**	**–**	(1,104,600)	(21)	–	–
	4,530,427	**198**	1,128,450	85	2,815,224	122

During the year ended December 31, 1994, the Corporation purchased on stock exchanges under a normal course issuer bid 1,104,600 of its common shares, for an aggregate price of $53 million, of which $4 million was charged to contributed surplus and $28 million was charged to retained earnings.

SHAREHOLDER DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN (DRP)

The Corporation's DRP allows shareholders of its common shares to invest cash dividends and optional cash payments in newly issued common shares of the Corporation. Participants may purchase shares quarterly with common share cash dividends; in addition, participants may purchase shares monthly with optional cash payments up to an aggregate sum of $20,000 in each twelve-month period ending October 15. Optional cash payments amounted to $13 million in 1995, $17 million in 1994 and $17 million in 1993.

The issue price of DRP shares is the average of the closing prices for a board lot trade of the common shares of the Corporation on the Montreal and Toronto stock exchanges on the five trading days immediately preceding the investment date. No price discount is offered to participants. At December 31, 1995, 9.8%, at December 31, 1994, 10% and at December 31, 1993, 10.6% of the number of outstanding common shares was enrolled in the DRP.

15. COMMON SHARES *(continued)*

EMPLOYEES' SAVINGS PLAN (ESP)

The ESP enables employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. The purpose of ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 1995, was 42,544 employees, at December 31, 1994, 43,706 employees and at December 31, 1993, 47,915 employees.

Common shares of the Corporation are purchased by the ESP Trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of ESP shares purchased on behalf of employees, including purchases from the Corporation shown in the table above, was 4,052,350 at December 31, 1995, 3,690,295 at December 31, 1994, and 4,608,019 at December 31, 1993.

STOCK OPTIONS

Under the Long-Term Incentive (Stock Option) Program (1985) (the Plan), options may be granted to officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first twelve months after the date of the grant. Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP). The amount of any SCP is equal to the increase in market value of the number of the BCE Inc. shares covered by the SCP (which number may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related. Shares covered by options granted with respect to any year may not exceed one-half of one per cent of the outstanding common shares of the Corporation at the end of the immediately preceding year.

At December 31, 1995, a total of 4,429,486 common shares remained authorized for issuance under the Plan.

Details of stock options are as follows:

Number of options	*1995*	*1994*	*1993*
Granted	**182,295**	334,460	189,718
Exercised	**(53,777)**	(89,836)	(243,662)
Cancelled	**(22,477)**	(7,085)	(2,050)
Outstanding, end of year	**1,193,536**	1,087,495	849,956
Exercisable, end of year	**669,893**	593,180	526,935

The range of prices for options granted, exercised or cancelled was as follows:

	1995	*1994*	*1993*
Granted	**\$42.5625 – \$44.6875**	\$45.2500 – \$47.0000	\$42.3750 – \$43.5000
Exercised	**\$36.8125 – \$43.3125**	\$36.7500 – \$48.6875	\$36.8125 – \$43.2500
Cancelled	**\$40.1250 – \$48.6875**	\$40.1250 – \$48.6875	\$40.1250
Outstanding, end of year	**\$36.8125 – \$48.6875**	\$36.8125 – \$48.6875	\$36.7500 – \$48.6875
Exercisable, end of year	**\$36.8125 – \$48.6875**	\$36.8125 – \$48.6875	\$36.7500 – \$48.6875

In addition, SCPs have been granted as follows: 182,295 in 1995, 293,171 in 1994 and 138,042 in 1993. At December 31, 1995, 1,008,817 SCPs covering the same number of shares as the options to which they are related are outstanding.

Additional common shares reserved at December 31, 1995 – 12,477,465:

5,146,446 shares for issuance under the Shareholder Dividend Reinvestment and Stock Purchase Plan.
7,331,019 shares for issuance under the Employees' Savings Plan.

16. COMMON SHARE PURCHASE WARRANTS

Warrants issued in connection with the Series O preferred shares expired in 1995.

17. CURRENCY TRANSLATION ADJUSTMENT

The net unrealized currency translation adjustment represents accumulated gains or losses on the Corporation's net investments in self-sustaining foreign operations. Also included are the effects of exchange rate changes on transactions designated as hedges of net foreign investments.

The change in the currency translation adjustment during the year ended December 31, 1995 of $75 million resulted from the strengthening of the Canadian dollar.

18. PENSIONS

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay. BCE's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

The cost of pensions is accrued and charged to earnings over employees' working lives. Pension expense was calculated using a value of assets adjusted to market over periods ranging from three to five years. The weighted average discount rate used in determining the accumulated and accrued plan benefits was 8.4% in 1995 and 1994 and 8.5% in 1993, and the weighted average assumed long-term rate of return on plan assets was 8.5% in 1995, 8.4% in 1994 and 8.5% in 1993. Beginning in 1994, adjustments to accrued pension benefits arising from workforce reduction programs are deferred and amortized over five years in conformity with a CRTC ruling.

The following table sets forth the financial position of the pension plans and BCE's net pension asset:

		($ millions)
At December 31	*1995*	*1994*
Plan assets at market-related value	**12,798**	12,076
Actuarially projected plan benefits		
Accumulated plan benefits	**10,235**	9,231
Effect of salary projections	**1,597**	1,970
Projected plan benefits	**11,832**	11,201
Plan assets in excess of projected plan benefits	**966**	875
Unrecognized net experience gains (i)	**(1,049)**	(962)
Unrecognized net assets existing at January 1, 1987 (i)	**(79)**	(97)
Unrecognized plan amendments (i)	**281**	337
Net pension asset reflected on the consolidated balance sheet	**119**	153
Deferred pension asset, included in deferred charges	**381**	436
Deferred pension obligation, included in other long-term liabilities	**(262)**	(283)
Net pension asset	**119**	153

(i) Amortized over the employees' average remaining working lives (14 years at December 31, 1995).

18. PENSIONS *(continued)*

The components of BCE's pension expense follow:

	1995	1994	1993
			($ millions)
Service cost – benefits earned	**305**	298	298
Interest cost on projected plan benefits	**944**	879	831
Expected return on plan assets	**(1,043)**	(956)	(954)
Net amortization	**27**	8	(2)
Pension expense	**233**	229	173

19. COMMITMENTS AND CONTINGENT LIABILITIES

LEASE COMMITMENTS

At December 31, 1995, the future minimum lease payments under capital leases are $39 million.

At December 31, 1995, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year are $316 million in 1996, $247 million in 1997, $177 million in 1998, $125 million in 1999, $96 million in 2000 and $471 million thereafter. Rental expense applicable to operating leases for the year 1995 was $468 million, $423 million in 1994 and $417 million in 1993.

LITIGATION

Certain holders of Nortel securities have commenced a class action in the United States District Court for the Southern District of New York alleging that Nortel and certain of its officers violated the Securities Exchange Act of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Nortel. At this stage of this action, Nortel cannot determine whether this action will have a material adverse impact on its consolidated financial position or results of operations.

In addition, in the normal course of operations, BCE becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 1995, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

ENVIRONMENTAL MATTERS

Nortel, primarily as a result of its manufacturing operations, is subject to numerous environmental laws and regulations and is exposed to liabilities and compliance costs arising from its past and current generating, handling, processing, recycling, storing, discharging, and disposing of hazardous substances and wastes.

As at December 31, 1995, the accruals on Nortel's consolidated balance sheet for environmental matters, including those referred to immediately below, were US $55 million. It is anticipated that a majority of the accruals will be spent over the next three years. Based on information presently available, Nortel's management believes that the existing accruals are sufficient to satisfy probable and reasonably estimable environmental liabilities related to known environmental matters. Any additional liability that may result from these matters, and any additional liabilities that may result in connection with other sites currently under investigation, are not expected to have a material adverse impact on the consolidated financial position or results of operations of Nortel.

Nortel has remedial activities underway at eleven manufacturing sites and four previously occupied sites. An estimate of Nortel's anticipated remediation costs associated with all such sites, to the extent probable and reasonably estimable, is included in the environmental accruals referred to above in an approximate amount of US $51 million.

19. COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

ENVIRONMENTAL MATTERS (continued)

Moreover, Nortel has been named as a potentially responsible party ("PRP") under the U.S. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) at five Superfund sites in the United States and is listed as a *de minimis* PRP at three of these Superfund sites. An estimate of Nortel's share of the anticipated remediation costs associated with such Superfund sites is included in the environmental accruals referred to above.

Liability under CERCLA may be imposed on a joint and several basis, without regard to the extent of Nortel's involvement. In addition, the accuracy of Nortel's estimate of environmental liability is affected by several uncertainties such as additional requirements which may be identified in connection with remedial activities, the complexity and evolution of environmental laws and regulations, and the identification of presently unknown remediation sites. Consequently, Nortel's liability could be greater than its current estimate.

GUARANTEES

At December 31, 1995, BCE had outstanding guarantees of $667 million ($743 million in 1994) representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

CUSTOMER FINANCING

Pursuant to certain customer financing agreements, Nortel is committed to provide future financing in connection with purchases of Nortel's products and services. These commitments totalled approximately $880 million as at December 31, 1995.

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP WITH UNITED STATES GAAP

		($ millions, except per share amounts)	
	1995	*1994*	*1993*
Net earnings (loss) – Canadian GAAP	**782**	1,178	(656)
Adjustments			
Postretirement benefits other than pensions (a)			
Impact of change in accounting policy as at January 1, 1993 for non-regulated entities	**–**	–	(141)
Current year impact	**(63)**	(57)	(64)
Postemployment benefits (b)			
Impact of change in accounting policy as at January 1, 1994	**–**	(59)	–
Current year impact	**(28)**	(6)	–
Income taxes (c)			
Impact of change in accounting policy as at January 1, 1993	**–**	–	135
Current year impact	**(24)**	(21)	–
Foreign exchange (d)	**44**	(34)	(27)
Other	**(36)**	–	(11)
Net earnings (loss) – U.S. GAAP	**675**	1,001	(764)
Net earnings (loss) per share – Canadian GAAP	**2.23**	3.52	(2.44)
– U.S. GAAP	**1.89**	2.94	(2.79)

(a) **Postretirement benefits other than pensions**

The costs of postretirement benefits other than pensions, such as health and life insurance benefits for retirees, are generally charged to earnings as incurred. The Financial Accounting Standards Board (FASB) Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" requires the accrual of actuarially determined postretirement benefit costs as active employees earn these benefits.

Statement No. 106 allows companies to recognize the accumulated obligation for postretirement benefits either in the year of the adoption or prospectively. For the purpose of reporting under U.S. GAAP, BCE has chosen to recognize on January 1, 1993, a transitional obligation of $141 million for its non-regulated entities.

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP WITH UNITED STATES GAAP *(continued)*

(a) **Postretirement benefits other than pensions** (continued)
In reporting the impact of the adoption of Statement No. 106, the Corporation has assumed that in setting rates for BCE's regulated entities, the CRTC would take such standard, including any transitional obligation, into account. Accordingly, the accumulated transitional obligation (i.e., employees' service prior to adopting the new method of accounting effective January 1, 1993) is amortized over 20 years. If the past service costs for the regulated entities had been recognized retroactively, BCE's transitional obligation as at January 1, 1993, would have increased by $431 million, and BCE's 1993 loss under U.S. GAAP would have increased by a net amount of $409 million (an additional impact of $1.33 on U.S. GAAP loss per share).

(b) **Postemployment benefits**
The costs of postemployment benefits are generally recognized as the claims are incurred. Effective January 1, 1994, for the purpose of reporting under U.S. GAAP, BCE adopted FASB Statement No. 112 "Employers' Accounting for Postemployment Benefits." Statement No. 112 requires accrual of the postemployment benefits at the occurrence of an event that renders an employee inactive. In accordance with the new statement, BCE has recognized in its earnings a transitional obligation of $59 million (net of applicable income taxes of $42 million).

(c) **Income taxes**
BCE adopted FASB Statement No. 109, "Accounting for Income Taxes" effective January 1, 1993. In adopting Statement No. 109, BCE adjusted its net deferred income tax liability for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, computed based on provisions of the enacted tax law.

(d) **Foreign exchange**
Under FASB Statement No. 52, "Foreign Currency Translation" unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are reported in earnings immediately rather than deferred and amortized over the remaining lives of the related items.

21. INTERESTS IN JOINT VENTURES

Included in the December 31, 1995 consolidated financial statements are revenues of $1,204 million and a net loss of $100 million, representing BCE's proportionate share of interests in joint ventures. A substantial portion of the amounts proportionately consolidated relate to Nortel's interest in Matra Communication (note 9). Prior to 1995, the equity method was used to account for these joint ventures.

22. UNUSED BANK LINES OF CREDIT

At December 31, 1995, unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to approximately $4.7 billion.

Selected Consolidated Financial and Other Data

(UNAUDITED) *($ millions, except per share amounts)*	*1995*	*1994*
Statement of operations data		
Revenues	**24,624**	21,670
Earnings from continuing operations	**782**	1,178
Earnings (loss) from discontinued operations	**–**	–
Net earnings (loss)	**782**	1,178
Net earnings (loss) applicable to common shares	**695**	1,086
Balance sheet data		
Total assets	**38,697**	38,092
Notes payable	**878**	1,641
Long-term debt (including current portion)	**13,011**	11,789
Non-controlling interest	**4,084**	3,977
Preferred shares	**1,250**	1,229
Common equity	**10,039**	10,123
Capital expenditures	**2,804**	2,811
Common share data		
Earnings (loss) per share		
Continuing operations	**2.23**	3.52
Discontinued operations	**–**	–
Net earnings (loss) per share	**2.23**	3.52
Dividends declared per common share	**2.72**	2.69
Equity per common share	**31.99**	32.73
Return on average common equity	**7.0%**	11.1%
Other data		
Network access services (thousands)	**10,593**	10,301
Number of employees (thousands)	**121**	116

QUARTERLY FINANCIAL DATA (UNAUDITED)

	4th Quarter		
	1995	*1994*	*1993*
Revenues	**7,422**	6,181	5,653
Operating earnings (loss)	**1,113**	1,006	912
Earnings (loss) from continuing operations	**289**	318	261
Earnings (loss) from discontinued operations	**–**	–	(770)
Net earnings (loss)	**289**	318	(509)
Net earnings (loss) applicable to common shares	**270**	297	(532)
Earnings (loss) per share			
Continuing operations	**0.86**	0.96	0.77
Discontinued operations	**–**	–	(2.50)
Net earnings (loss) per share	**0.86**	0.96	(1.73)
Average number of common shares outstanding (millions)	**313.3**	309.2	307.6

RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP WITH UNITED STATES GAAP (UNAUDITED)

	4th Quarter		
	1995	*1994*	*1993*
Net earnings (loss) – Canadian GAAP	**289**	318	(509)
Net adjustments	**(94)**	(52)	(61)
Net earnings (loss) – U.S. GAAP	**195**	266	(570)
Earnings (loss) per share			
– Canadian GAAP	**0.86**	0.96	(1.73)
– U.S. GAAP	**0.56**	0.79	(1.93)

1993	1992	1991	1990	1989	1988	1987	1986	1985
19,827	19,572	18,494	16,921	15,795	14,635	14,485	13,707	12,969
159	1,486	1,307	1,103	1,164	853	1,070	974	1,007
(815)	(96)	22	44	(403)	(7)	6	5	2
(656)	1,390	1,329	1,147	761	846	1,076	979	1,009
(750)	1,295	1,235	1,062	724	841	1,043	941	967
36,708	36,656	33,652	30,062	28,649	25,988	23,797	21,576	19,506
1,950	2,067	1,343	1,408	1,687	1,742	712	227	200
11,070	9,303	8,767	7,788	7,471	6,511	5,972	5,052	5,041
3,505	3,976	3,648	3,175	2,790	2,342	2,292	2,134	1,798
1,229	1,229	1,232	1,235	858	13	243	257	313
9,694	11,078	10,727	10,090	9,548	9,214	8,885	8,217	7,200
3,210	3,715	3,261	3,284	3,177	3,052	2,853	2,306	2,218
0.21	4.52	3.94	3.35	3.79	2.97	3.85	3.63	4.04
(2.65)	(0.31)	0.07	0.15	(1.36)	(0.02)	0.02	0.02	0.01
(2.44)	4.21	4.01	3.50	2.43	2.95	3.87	3.65	4.05
2.65	2.61	2.57	2.53	2.49	2.45	2.41	2.37	2.30
31.46	36.28	34.57	33.04	31.61	31.82	32.44	30.97	29.26
(7.1)%	12.0%	12.0%	10.8%	7.6%	9.2%	12.3%	12.1%	14.5%
10,015	9,768	9,539	9,300	8,986	8,472	8,117	7,746	7,424
118	124	124	119	120	115	116	109	108

3rd Quarter			2nd Quarter			1st Quarter		
1995	1994	1993	**1995**	1994	1993	**1995**	1994	1993
5,889	5,177	4,790	**5,816**	5,304	4,659	**5,497**	5,008	4,725
779	931	689	**743**	759	(997)	**659**	806	751
186	386	167	**152**	223	(493)	**155**	251	224
–	–	(15)	**–**	–	(27)	**–**	–	(3)
186	386	152	**152**	223	(520)	**155**	251	221
162	362	128	**132**	200	(544)	**131**	227	198
0.52	1.17	0.47	**0.43**	0.65	(1.69)	**0.42**	0.74	0.66
–	–	(0.05)	**–**	–	(0.08)	**–**	–	(0.01)
0.52	1.17	0.42	**0.43**	0.65	(1.77)	**0.42**	0.74	0.65
312.0	308.6	307.4	**310.7**	308.8	306.8	**309.7**	308.6	306.0

3rd Quarter			2nd Quarter			1st Quarter		
1995	1994	1993	**1995**	1994	1993	**1995**	1994	1993
186	386	152	**152**	223	(520)	**155**	251	221
1	6	(36)	**(1)**	(22)	(19)	**(13)**	(109)	8
187	392	116	**151**	201	(539)	**142**	142	229
0.52	1.17	0.42	**0.43**	0.65	(1.77)	**0.42**	0.74	0.65
0.52	1.19	0.30	**0.42**	0.58	(1.83)	**0.38**	0.38	0.67

Board of Directors

L.R. WILSON

Montreal, Quebec
Chairman, President and CEO, BCE Inc.
A director from May 1985 to September 1989 and since November 1990. A member of the Pension Fund Policy Committee. A director of Bell Canada, Northern Telecom Limited, BCE Mobile Communications Inc. and Teleglobe Inc.

RALPH M. BARFORD

Toronto, Ontario
President, Valleydene Corporation Limited
A director since April 1987. Chairman of the Management Resources and Nominating Committee. A director of Northern Telecom Limited.

WARREN CHIPPINDALE, F.C.A.

Mont-Tremblant, Quebec
Consultant
A director since May 1986. Chairman of the Audit Committee. A director of Bell Canada and BCE Mobile Communications Inc.

RICHARD J. CURRIE

Toronto, Ontario
President and a Director
Loblaw Companies Limited
A director since May 1995. Member of the Management Resources and Nominating Committee.

JEANNINE GUILLEVIN WOOD

Montreal, Quebec
Chairman of the Board
Guillevin International Inc.
A director since May 1989. Member of the Audit Committee.

THE HONOURABLE DONALD J. JOHNSTON, P.C., Q.C.

Mansonville, Quebec
Legal Counsel, Heenan Blaikie
A director since May 1989. Member of the Audit Committee.

GERALD J. MAIER

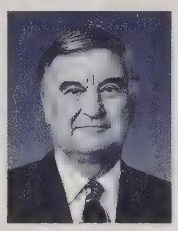
Calgary, Alberta
Chairman of the Board
TransCanada PipeLines Limited
A director since January 1987. A member of the Management Resources and Nominating Committee.

JOHN H. McARTHUR

Wayland, Massachusetts
Member of the Faculty, Harvard University Graduate School of Business Administration
A director since May 1995. Member of the Audit Committee.

J. EDWARD NEWALL, O.C.

Calgary, Alberta
Vice-Chairman and Chief Executive Officer
NOVA Corporation Ltd.
A director since May 1989. A member of the Management Resources and Nominating Committee.



GUY SAINT-PIERRE

Montreal, Quebec
President and Chief Executive Officer
SNC-Lavalin Group Inc.
A director since May 1995. A member of the Pension Fund Policy Committee.

LOUISE B. VAILLANCOURT, C.M.

Outremont, Quebec
Company Director
A director since January 1975. Chairman of the Pension Fund Policy Committee.

VICTOR L. YOUNG

St. John's, Newfoundland
Chairman and Chief Executive Officer
Fishery Products International Limited
A director since May 1995. A member of the Pension Fund Policy Committee.

MEMBERS OF COMMITTEES OF THE BOARD

AUDIT	MANAGEMENT RESOURCES AND NOMINATING	PENSION FUND POLICY
W. Chippindale *Chairman*	R.M. Barford *Chairman*	L.B. Vaillancourt *Chairman*
J. Guillevin Wood	R.J. Currie	G. Saint-Pierre
D.J. Johnston	G.J. Maier	L.R. Wilson
J.H. McArthur	J.E. Newall	V.L. Young

Committees of the Board

BCE has established permanent committees of the Board of Directors to permit continuing review in the areas of auditing, management resources and nominating, and pension fund policy.

The Audit Committee reviews, reports and, where appropriate, provides recommendations to the Board on: the annual and interim consolidated financial statements and the integrity of the financial reporting of the Corporation; the adequacy of the Corporation's processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of, and compliance with, the policies and practices of the Corporation relating to business ethics; the appointment, terms of engagement and proposed fees of the shareholders' auditor; the appointment and mandate of the internal auditor; the relationship between related entities' audit committees and that of the Corporation; and the relationship between the Audit Committee, other Board committees and management. BCE's Audit Committee consists entirely of outside and unrelated directors, i.e., directors who are not officers of BCE or its subsidiaries. The Audit Committee met seven times during 1995.

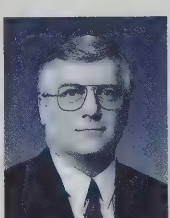
The Management Resources and Nominating Committee (MRNC) reviews, reports and, where appropriate, provides recommendations to the Board on: candidates for election to the Board; the appointment of the CEO; directors' remuneration in relation to current compensation practices; existing management resources and succession plans for officers and other ranks; the performance of the CEO and other officers; the Corporation's executive compensation policy; any proposed changes in organization, or to the Corporation's pension and benefit plans; and matters of corporate governance. The MRNC also establishes management performance criteria and undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his/her own participation on the Board. It reports to the Board periodically on the Board's assessment of its effectiveness. It also ensures an orientation and education program for new recruits to the Board. All members of the committee are outside and unrelated directors. The MRNC met five times during 1995.

The Pension Fund Policy Committee (PFPC) advises the Board on policy with respect to the administration, funding and investment of the Corporation's pension plan and the unitized pooled fund sponsored by the Corporation for the collective investment of the Corporation's pension fund and participating subsidiaries' pension funds (the "Master Fund"). The PFPC also generally oversees the administration and investment of the Corporation's pension plan and Master Fund. All members of the PFPC, except L.R. Wilson, are outside and unrelated directors. The PFPC met three times in 1995.

Corporate Officers

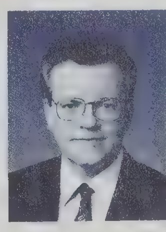
L.R. WILSON
Chairman, President and Chief Executive Officer

DEREK H. BURNEY
Executive Vice-President, International



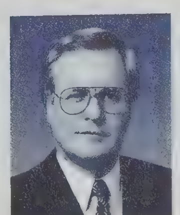
RONALD W. OSBORNE
Executive Vice-President and Chief Financial Officer

THOMAS J. BOURKE
Group Vice-President, Directories



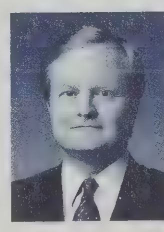
PETER J.M. NICHOLSON
Senior Vice-President, Corporate Strategy

JOSEF J. FRIDMAN
Senior Vice-President, Law and Corporate Secretary



PETER M. SHARPE
Vice-President, Corporate Services

FREDERICK J. ANDREW
Vice-President and Treasurer



DAVID A. LAZZARATO
Vice-President and Comptroller

SIIM A. VANASELJA
Vice-President, Taxation

Shareholder Information

Price range of common shares

	1995 High	1995 Low	1995 Close	1994 High	1994 Low	1994 Close
Toronto Stock Exchange ($)	**47⅝**	**41⅛**	**47¼**	52⅞	43¾	45⅛
NYSE Consolidated tape ($US)	**35**	**29**	**34½**	38¾	31⅝	32⅛

Average daily trading volumes

	1995	1994
	(000)	
Toronto	**599**	626
Montreal	**137**	115
New York Consolidated Tape	**174**	157
Other	**8**	7

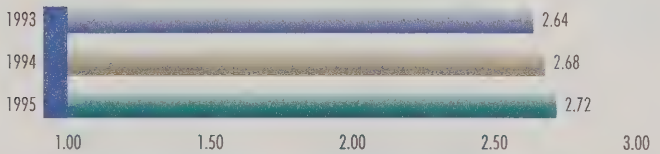
Dividends on common shares*

Record date	Payment date
March 15, 1996	April 15, 1996
June 14, 1996	July 15, 1996
September 13, 1996	October 15, 1996
December 13, 1996	January 15, 1997

* Subject to approval by the Board of Directors

DIVIDENDS PAID
Quarterly dividends of $0.68 per common share were paid in 1995 ($0.67 in 1994).

PAID DIVIDEND GROWTH
($ Canadian)



The current quarterly dividend rate is $0.68 per common share.

AVOID POSTAL DELAYS AND TRIPS TO THE BANK
Join BCE's bank deposit program for your dividends. For further information, contact Montreal Trust:

1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

INCREASE YOUR INVESTMENT IN BCE COMMON SHARES WITHOUT BROKERAGE COSTS
Join BCE's Dividend Reinvestment and Stock Purchase Plan. For further information, contact Montreal Trust:

1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

HELP BCE CONTROL COSTS AND ELIMINATE DUPLICATE MAILINGS
Multiple shareholder accounts are costly. You can consolidate your accounts by calling Montreal Trust:

1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

TAX INFORMATION

ESTATE AND SUCCESSION DUTIES
There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

CANADIAN WITHHOLDING TAXES ON FOREIGN INVESTORS
Dividends on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25%, unless reduced by treaty. Under current tax treaties, U.S. and U.K. residents' withholding tax rate is 15%.

If you have questions concerning withholding taxes, please contact BCE Investor Relations:

1 800 339-6353 (toll free in Canada and the U.S.)
397-7114 in the Montreal area
Fax: (514) 397-7321

NUMBER OF SHARES AND SHAREHOLDERS
At December 31, 1995, there were 313,820,644 BCE common shares outstanding and 218,785 registered shareholders, and 24,001,300 preferred shares outstanding, and 657 registered preferred shareholders.

FOREIGN OWNERSHIP OF BCE SHARES
In order to maintain the eligibility of its Canadian common carrier subsidiaries under the Telecommunications Act, BCE Inc. has certain powers under the Act to limit foreign ownership of its voting common shares to no more than one-third of all outstanding voting shares. At December 31, 1995, the registered foreign ownership of BCE common shares was some 14%.

TRANSFER OFFICES AND REGISTRAR FOR SHARES
Canada — Montreal Trust Company:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area
New York — Bank of Montreal Trust Company: (212) 701-7650
London — The R-M Trust Company: (44) 81-478-1888

STOCK EXCHANGE LISTINGS
Montreal, Toronto, Vancouver, New York, London, Tokyo, and the Swiss Exchange.

Corporate Directory

BCE Inc.
1000, rue de La Gauchetière O.
Bureau 3700
Montréal (Québec)
H3B 4Y7

Corporate Communications
tel: (514) 397-7267
fax: (514) 397-7157

Investor Relations
tel: (514) 397-7114 or
1 800 339-6353
fax: (514) 397-7321

Shareholder account and dividend inquiries
Montreal Trust Company
P.O. Box 1100, Station B
Montréal (Québec)
H3B 3K9
tel: (514) 982-7555 or
1 800 561-0934
fax: (514) 982-7635

CANADIAN TELECOMMUNICATIONS

Bell Canada
Corporate Communications
1800, avenue McGill College
Bureau 901
Montréal (Québec)
H3B 3J6
tel: (514) 870-0649
fax: (514) 842-9163

Bell Local Services
Communications
700, rue de La Gauchetière O.
Bureau 26-Ouest-1
Montréal (Québec)
H3B 4L1
tel: (514) 870-7000
fax: (514) 876-8726

Bell Horizon Services
Public Affairs
483 Bay Street
Floor 5, South Tower
Toronto, Ontario
M5G 2E1
tel: (416) 581-4130
fax: (416) 593-1057

Bruncor Inc.
Corporate Communications
One Brunswick Square
Saint John, New Brunswick
E2L 4L4
tel: (506) 694-6047
fax: (506) 658-7163

The Island Telephone Company Limited
Corporate Communications
69 Belvedere Avenue
Charlottetown, P.E.I.
C1A 7M1
tel: (902) 421-1777
fax: (902) 453-5221

Maritime Telegraph and Telephone Company, Limited
Corporate Communications
1505 Barrington Street
Halifax, Nova Scotia
B3J 2W3
tel: (902) 487-6236
fax: (902) 425-1274

NewTel Enterprises Limited
Public Relations
Fort William Building
10 Factory Lane
St. John's, Newfoundland
A1C 6H5
tel: (709) 739-2837
fax: (709) 739-2845

Northern Telephone Limited
25 Paget Street
New Liskeard, Ontario
P0J 1P0
tel: (705) 647-7311
fax: (705) 647-3579

Northwestel Inc.
Public Affairs
301 Lambert Street
Whitehorse, Yukon
Y1A 4Y4
tel: (403) 668-5439
fax: (403) 668-7079

Télébec ltée
Communications
7151, rue Jean-Talon E.
Bureau 310
Anjou (Québec)
H1M 3N8
tel: (514) 493-5335
fax: (514) 493-5389

BCE Mobile Communications Inc.
8501, route Transcanadienne
Saint-Laurent (Québec)
H4S 1Z1

Corporate Communications
tel: (514) 822-3091
fax: (514) 953-8898

Investor Relations
tel: (514) 956-4800
fax: (514) 333-4616

Expressvu Inc.
1290 Central Parkway West
Mississauga, Ontario
L5C 4R3
Information
1 800 339-6908

MediaLinx Interactive Inc.
Communications
181 Bay Street
Suite 350
Toronto, Ontario
M5J 2T3
tel: (416) 350-1503
fax: (416) 350-1516

Teleglobe Inc.
External Communications
1000, rue de La Gauchetière O.
Montréal (Québec)
H3B 4X5
tel: (514) 868-8579
fax: (514) 868-8402

Telesat Canada
1601 Telesat Court
Ottawa, Ontario
K1B 5P4
tel: (613) 748-0123
fax: (613) 748-8712

TMI Communications Inc.
Corporate Communications
1601 Telesat Court
Ottawa, Ontario
K1B 5P4
tel: (613) 742-4106
fax: (613) 742-4130

BELL CANADA INTERNATIONAL

Bell Canada International Inc.
Corporate Affairs
1000, rue de La Gauchetière O.
Bureau 1100
Montréal (Québec)
H3B 4Y8
tel: (514) 392-2418
fax: (514) 392-2329

BCI Incorporated
5160 Parkstone Drive
Suite 190
Chantilly, Virginia
22021-3813
tel: (703) 222-8300
fax: (703) 222-0205

Bell Cablemedia plc
Corporate Affairs
Colne House
Upton Road
Watford
Hertfordshire WD1 7EL
United Kingdom
tel: (44) 1-923-444000
fax: (44) 1-923-444269

Mercury Communications Limited
Press and Public Relations
26 Red Lion Square
London WC1R 4HQ
United Kingdom
tel: (44) 1-71-528-2217
fax: (44) 1-71-528-2577

Comunicación Celular S.A. (COMCEL)
Public Affairs
Calle 90, No. 14/37
Santafé de Bogotá (D.C.)
Colombia
tel: (57) 1-616-9797
fax: (57) 1-616-9975

Jones Intercable, Inc.
Corporate Communications
9697 East Mineral Avenue
Englewood, Colorado 80112
tel: (303) 792-3111
fax: (303) 799-1644

DIRECTORIES

Tele-Direct (Publications) Inc.
1600, boul. René-Lévesque O.
Montréal (Québec)
H3H 1P9

Communications
tel: (514) 934-2786
fax: (514) 934-2905

NORTHERN TELECOM

Northern Telecom Limited
Public Relations
3 Robert Speck Parkway
Mississauga, Ontario
L4Z 3C8
tel: (905) 566-3279
fax: (905) 803-4661

Media Relations
2010 Corporate Ridge
McLean, Virginia
22102-7838
tel: (703) 712-8528
fax: (703) 712-8976

Northern Telecom Inc.
Public Relations
2221 Lakeside Boulevard
Richardson, Texas
75082-4399
tel: (214) 684-5909
fax: (214) 684-3726

Nortel Limited
Communications
Safferton Way
Maidenhead, Berkshire
SL6 1AY
United Kingdom
tel: (44) 1-628-812066
fax: (44) 1-628-812496

Nortel CALA Inc.
Public Relations
1500 Concord Terrace
Sunrise, Florida
33323-2815
tel: (954) 851-8315
fax: (954) 851-8818

Northern Telecom (Asia) Limited
Communications
Central Plaza
18 Harbour Road
Wanchai, Hong Kong
tel: (852) 2-585-2191
fax: (852) 2-585-2196

Bell-Northern Research Ltd.
Corporate Communications
3500 Carling Avenue
Nepean, Ontario
K2H 8E9
tel: (613) 765-4236
fax: (613) 763-2008

Corporate Communications
16, place du Commerce
Île-des-Soeurs
Verdun (Québec)
H3E 1H6
tel: (514) 765-7994
fax: (514) 761-8512

BNR Inc.
Corporate Communications
35 Davis Drive
Research Triangle Park
North Carolina
27709-3478
tel: (919) 991-7745
fax: (919) 991-8404

Corporate Communications
2201 Lakeside Boulevard
Richardson, Texas
75082-4399
tel: (214) 684-7978
fax: (214) 684-3730

OTHER

Bimcor Inc.
181 Bay Street
Suite 4700
Toronto, Ontario
M5J 2T3
tel: (416) 861-2000
fax: (416) 865-1686

1000, rue de La Gauchetière O.
Bureau 1300
Montréal (Québec)
H3B 5A7
tel: (514) 394-4750
fax: (514) 394-1021

BCE Capital Inc.
1000, rue de La Gauchetière O.
Bureau 3400
Montréal (Québec)
H3B 4Y7
tel: (514) 397-7171
fax: (514) 397-7392

Glossary of Terms

ADVANTAGE
Bell Canada's portfolio of business long distance services.

BACKBONE
The primary or major telecommunications facility of a network into which smaller network branches feed.

BIT
A contraction of "binary digit". A bit is the smallest possible unit of storage of computer information and can only be one of two values. These are typically 1 and 0, low and high, or on and off.

BROADBAND
Communications which require high levels of transmission capacity, or bandwidth. For example, video or multimedia services require transmission of much larger amounts of information than simple voice calls.

CD-ROM
(Compact Disk – Read Only Memory). A device about the size of a saucer which is used to store large amounts of data including video and animation.

CONCORDE
Magellan Concorde is a high performance ATM networking system with "modular" capacity to economically meet rapidly changing market demands.

CRTC
The Canadian Radio-television and Telecommunications Commission is the federal regulatory body which oversees the operations of broadcast and telecommunications companies in Canada.

DIALTONE
A term used to describe access to a telephone network.

DMS SWITCH
(Digital Multiplex System). A family of switching systems that provides digital circuit switched service for voice and data transmission.

FCC
(Federal Communications Commission). The United States equivalent to the CRTC.

INFORMATION HIGHWAY
A network, consisting of many connected networks, which has the capacity to carry high-speed, interactive, broadband services such as voice, data, image and video communications. The network will link offices, homes, schools, hospitals and many other locations.

INTELLIGENT NETWORK
A telecommunications network powered by vast computers allowing the application of highly specialized and customer-specific services.

ISDN
(Integrated Services Digital Network). Offers integrated voice, data, image and video services over the digital phone network at high speeds, giving users a wide range of applications over a single phone line.

MAGELLAN
Nortel's wide-ranging portfolio of ATM switching products used to carry multimedia (voice, data and image) across networks.

MODEM
Device which enables data to be exchanged by converting signals, e.g., by converting a computer's digital signal to analog signals for transmission over phone lines.

MSAT
A wireless telecommunications service based on satellite technology that provides coverage virtually anywhere in Canada. MSAT is provided by TMI and sold at the retail level by companies such as BCE Mobile and Mobility Canada.

MULTIMEDIA
Technology that allows people to communicate via computer using any combination of text, data, voice, graphics, photos, video and audio.

NEXACOR REALTY MANAGEMENT INC.
A Bell Canada company created in 1995 to manage Bell's real estate assets, more than 23.5 million square feet of space worth an estimated $2.5 billion, on a commercially viable and profitable basis.

PASSPORT
The Magellan Passport ATM enterprise network switch provides corporations cost-effective consolidation of voice, data and video onto a single, high-performance, multimedia enterprise network.

PCS
(Personal Communications Services). A new generation of wireless telephone service expected to be popular in highly populated urban centres.

PROGISTIX-SOLUTIONS INC.
A Bell Canada company which provides Bell and external clients with top-quality logistics services, including specialized ordering, warehousing and delivery services.

SMART CARD
A card similar to a credit card with an embedded micro-chip which can be programmed for specific purposes.

SMARTTOUCH
A portfolio of optional services that provide individual residential and small business customers with increased residence privacy, security and convenience by giving them greater control over incoming calls.

STENTOR
An alliance of leading Canadian telecom companies formed to deliver leading-edge local, national and international services to Canadian customers. The Stentor Alliance maintains the world's longest, fully digital, fibre optic network. This forms the backbone of a Canadian information highway which the alliance is committed to completing by 2005 under the Beacon Initiative.

TRUNK
A circuit or channel connecting two exchanges or switching devices. A trunk circuit can be switched at both ends.

VECTOR
Magellan Vector is an ATM access concentration switch that allows carriers to extend the reach and value of their core ATM network closer to the enterprise user community through economical, lower-speed access rates.

1.9 GHz
A measure of radio bandwidth which determines the speed and volume of information carried.

Trademarks

1996 annual meeting

The annual meeting of BCE shareholders will take place at 10:30 a.m., Tuesday, May 7, 1996, at the London Convention Center, 300 York Street, London, Ontario.

WWW.BCE.CA

Visit BCE at its web site!
WWW.BCE.CA

If you wish to receive BCE's corporate review on CD-ROM, please contact:

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1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec)
H3B 4Y7

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THE CORPORATE HOUSE
Montréal (Québec)

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To renew resources, St. Joseph Printing will, on our behalf, plant 450 trees, equivalent to three trees for every ton of paper used in producing this annual report.

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PARTNERS IN GROWTH™

PRINTED IN CANADA

NOTICE OF ANNUAL MEETING 1995 AND MANAGEMENT PROXY CIRCULAR

BCE INC.

Table of contents

Dear Shareholder:

You are invited to attend the annual meeting of the shareholders of BCE Inc. which will be held at the Imperial Theatre, in Saint John, New Brunswick, on Wednesday, May 3, 1995, at 10:30 a.m. You will find an admission ticket attached to your proxy form.

The items of business to be acted upon are set forth in the notice of meeting and management proxy circular. Your participation in the affairs of the Corporation is most important, regardless of the number of shares you hold. If you are unable to attend in person, please date, sign and promptly return the enclosed proxy form in the envelope provided for this purpose. If you intend to be present at the meeting, you may nevertheless find it convenient to express your views in advance by completing and returning your proxy.

Following the custom of past meetings, we will review with you the business and affairs of the Corporation and our expectations for the future. You will also have an opportunity to meet your directors and the executives of the Corporation.

Sincerely yours,

L.R. Wilson
Chairman, President and
Chief Executive Officer

February 22, 1995

Notice of Annual Meeting 1995

The annual meeting of the shareholders of BCE Inc. will be held at the Imperial Theatre, 24 King Square South, Saint John, New Brunswick, on Wednesday, May 3, 1995, at 10:30 a.m. (local time) for the following purposes:

- to receive the consolidated financial statements for the year ended December 31, 1994 and the auditors' report on the financial statements;
- to elect directors for the ensuing year;
- to appoint auditors to hold office until the close of the next annual meeting;
- to consider and, if deemed advisable, to confirm by ordinary resolution an amendment to By-Law No. 1, approved by the Board of Directors on the date of this notice of annual meeting, to delete the reference to age as a criterion for being eligible to be a director; and
- to transact such other business as may properly be brought before the meeting.

Shareholders registered at the close of business on March 15, 1995 will be entitled to receive notice of the meeting.

By order of the Board of Directors,

J.J. Fridman
Senior Vice-President, Law and Corporate Secretary

Montréal, February 22, 1995

Proxies to be used at the meeting must be received prior to 4:45 p.m. (Montréal time) on Monday, May 1, 1995, by our transfer agent, Montreal Trust Company, by mail at Box 580, Station B, Montréal (Québec), Canada H3B 3K3, or by delivery to 1800, avenue McGill College, 6e étage, Montréal (Québec), or by other agents appointed by the Corporation for such purpose. Shareholders residing outside Canada should mail their proxies to our transfer agent at Box 127, Rouses Point, N.Y. 12979-9969, U.S.A.

This management proxy circular (the "Circular") is furnished in connection with the solicitation by the management of BCE Inc. ("BCE" or the "Corporation") of proxies to be used at the annual meeting of the shareholders of the Corporation to be held in Saint John, New Brunswick, on May 3, 1995, and at any adjournment thereof. Solicitation of proxies will be by mail, supplemented by telephone or other personal contact, by employees or agents of the Corporation at nominal cost, and all costs thereof will be borne by the Corporation. The Corporation has retained the services of Corporate Investor Communications, Inc. for the solicitation of proxies by telephone in the United States.

Provisions relating to voting

As of the date of this Circular, 309,790,058 common shares of the Corporation are entitled to be voted at the annual meeting.

Each share entitles the registered holder thereof to one vote on each ballot taken at any general meeting of the shareholders of the Corporation; such votes may be given in person or by proxy.

Only owners of shares registered on the books of the Corporation at the close of business on March 15, 1995, or their duly appointed proxies, will be entitled to attend or to register a vote at the annual meeting, unless shares are transferred after that date and the transferee establishes that he owns the shares and demands by the close of business on April 24, 1995 that his name be included in the list of shareholders entitled to vote.

Shares may be voted for or be withheld from voting on the election of directors and the appointment of auditors. On other matters, the shareholder may vote for or against the proposal.

On October 25, 1994, Canadian ownership and control regulations (the "Regulations") were adopted under the Telecommunications Act (the "Act"). To maintain the eligibility under the Act of Bell Canada and other BCE subsidiaries to act as Canadian common carriers, the level of non-Canadian ownership of BCE's voting shares cannot exceed 33 1/3 per cent and BCE may not be otherwise controlled by non-Canadians. The Regulations give BCE, as the holding corporation for Canadian common carriers such as Bell Canada, certain powers to monitor and control the level of non-Canadian ownership of its voting shares. Such powers include the right to refuse to register a transfer of voting shares to a non-Canadian, to force a non-Canadian to sell his voting shares and to suspend the voting rights attached to that person's shares, if that person's holding would jeopardize BCE's status as a "Canadian" under the Regulations. To the best of BCE's knowledge, the level of non-Canadian ownership of BCE's common shares was approximately 15 per cent as at February 15, 1995. BCE monitors the level of non-Canadian ownership of its common shares and periodically reports thereon.

Provisions relating to proxies

All shares represented by properly executed proxies received by our transfer agent prior to 4:45 p.m. (Montréal time) on Monday, May 1, 1995 will be voted for or against or withheld from voting, in accordance with the wishes of the shareholder as specified thereon, on any ballot that may be called at the meeting.

The form of proxy enclosed herewith, when properly signed, confers discretionary authority on the person or persons named as proxy with respect to all amendments or variations to matters identified in the notice of meeting and to any other matter which may properly come before the meeting.

A proxy must be in writing and must be executed by the shareholder or by the shareholder's attorney authorized in writing. A shareholder who has given a proxy may revoke it by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing with the Vice-President and Treasurer of the Corporation at 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec), Canada H3B 4Y7, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or by depositing it with the chairman of the meeting on the day of the meeting, or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

The Corporation may appoint agents in cities other than Montréal for the purpose of facilitating the delivery of proxies; if such agents are appointed, the Vice-President and Treasurer will supply their names and addresses on request.

Business to be transacted at the meeting

(See Notice of Annual Meeting 1995, page 2)

Presentation of financial statements

The consolidated financial statements for the year ended December 31, 1994, and the report of the shareholders' auditors thereon will be placed before the meeting. The consolidated financial statements are included in the BCE 1994 Annual Report which is being mailed to shareholders with this Notice of Meeting and Circular.

Election of directors

(See item 1 on proxy form)
Messrs. P.A. Allen, J.V.R. Cyr, C.W. Daniel, E.N. McKelvey, A.H. Ross and C.R. Sharpe are not standing for re-election this year.

As determined by the Board on January 25, 1995, twelve directors are to be elected to hold office until the next annual meeting of the shareholders. For this year, the Board has determined to decrease its size from fourteen to twelve directors in order to facilitate more effective decision-making.

The persons nominated in the Circular are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year.

All nominees have formally established their eligibility and willingness to serve as directors.

It is the intention of the persons whose names are printed in the enclosed proxy form to vote such proxy for the election of the nominees listed herein unless specifically instructed on the proxy form to withhold such vote.

If, prior to the annual meeting, any of the listed nominees should become unavailable to serve, the persons designated in the proxy form will have the right to use their discretion in voting for a properly qualified substitute.

Appointment of auditors

(See item 2 on proxy form)
A firm of auditors is to be appointed by vote of the shareholders at the annual meeting to serve as auditors of the Corporation until the close of the next annual meeting. The Board of Directors, on the advice of the Audit Committee, recommends that Deloitte & Touche be reappointed as the shareholders' auditors.

Amendment to By-Law No. 1 to delete the reference to age as a criterion for being eligible to be a director

(See item 3 on proxy form)
The shareholders will be asked to consider and, if deemed advisable, to confirm an amendment to By-Law No. 1 of the Corporation deleting the sentence contained in section 2.01 which provides that "No person who has attained the age of seventy-two years shall be eligible for election as a director". Under the Canada Business Corporations Act, an amendment to a by-law is effective from the date of the resolution of the directors approving such amendment until it is confirmed as amended or rejected by the shareholders and, where the by-law is confirmed as amended, it continues in effect in the form in which it was so confirmed.

As a corporate governance measure, the Corporation wishes to reduce the age composition of its Board of Directors. The Corporation's policy with respect to the age of directors will be dealt with by way of resolution of the Board of Directors or administrative guideline to give maximum flexibility to modify the directors' age limit as corporate governance policies evolve in Canada. Pursuant to an administrative guideline adopted in 1994 by the Board of Directors of the Corporation, the management of the Corporation is not nominating for election to the Corporation's Board of Directors persons who have attained the age of seventy years.

The amendment is consistent with the practice of many Canadian corporations and the directors recommend that the shareholders vote FOR its confirmation.

As the amendment to section 2.01 of By-Law No. 1 is required to be confirmed by ordinary resolution passed by a majority of the votes cast on the matter by the shareholders, it is proposed to present the following resolution to the meeting:

> "THAT the amendment to section 2.01 of By-Law No. 1 of the Corporation, deleting the sentence which provides that "No person who has attained the age of seventy-two years shall be eligible for election as a director," as adopted by the Board of Directors on February 22, 1995, be and it is hereby confirmed."

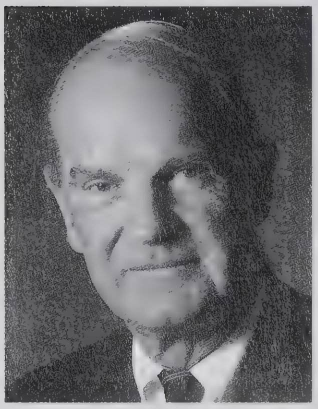
Other business

The Chairman will report on recent events of significance to the Corporation and on other matters of interest to the shareholders and will invite questions and comments from the floor.

Nominees for election as directors and their beneficial securities ownership

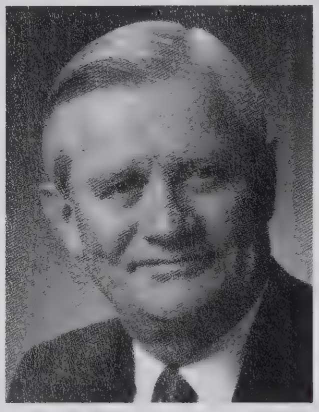
Abbreviations

NTL = Northern Telecom Limited, **BCE Mobile** = BCE Mobile Communications Inc.



Ralph MacKenzie Barford, of Toronto, Ontario, is President of Valleydene Corporation Limited, a private investment company. He has served as a director since April 1987 and is Chairman of the Management Resources and Nominating Committee. He is also Chairman of the Board of GSW Inc. and Camco Inc., and a director of NTL, Bank of Montreal, Hollinger Inc., Morton International, Inc. and The Molson Companies Limited.

BCE common
40,000
NTL common
19,000



Warren Chippindale, F.C.A., of Mont-Tremblant, Québec, is a consultant. He has served as a director since May 1986 and is Chairman of the Audit Committee. He is also a director of Bell Canada, BCE Mobile, Alcan Aluminium Limited, The Bullock Funds and The Molson Companies Limited.

BCE common
1,000
BCE Mobile common
700

Richard James Currie, of Toronto, Ontario, is President and a director of Loblaw Companies Limited, Canada's largest retail / wholesale food distributor. Mr. Currie has held this position since July 1976. He is a new nominee for election as a director. Mr. Currie is also a director of George Weston Limited, Imperial Oil Limited and Bionaire, Inc.

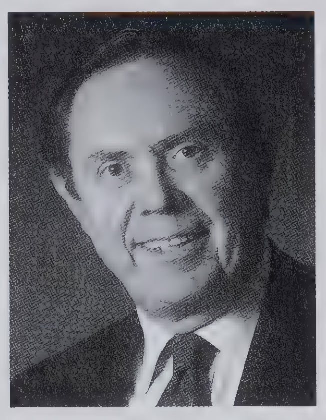
BCE common
1,000

NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL SECURITIES OWNERSHIP

Abbreviation
NTL = Northern Telecom Limited

Jeannine Guillevin Wood, of Montréal, Québec, is Chairman of the Board and Chief Executive Officer of Guillevin International Inc., a distributor of electrical products. She has served as a director since May 1989 and is a member of the Audit Committee. She is also a director of Laurentian Bank of Canada, Royal Insurance Company of Canada, REXEL S.A. and Sun Life Assurance Company of Canada.

BCE common
475
NTL common
200



The Honourable Donald James Johnston, P.C., Q.C., of Montréal, Québec, is Legal Counsel to the law firm of Heenan Blaikie. He has served as a director since May 1989 and is a member of the Pension Fund Policy Committee. He is also a director of UniMédia Inc.

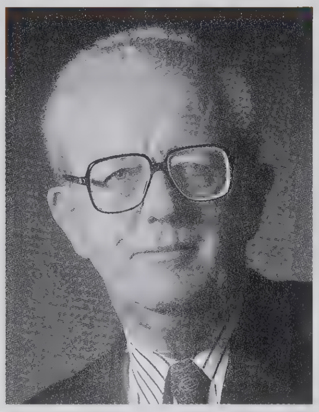
BCE common
500

Gerald James Maier, of Calgary, Alberta, is Chairman of the Board of TransCanada PipeLines Limited, a natural gas transportation and marketing company. He has served as a director since January 1987 and is a member of the Pension Fund Policy Committee. He is also a director of The Bank of Nova Scotia, DuPont Canada Inc., TransAlta Corporation and Alberta Natural Gas Company Ltd.

BCE common
500

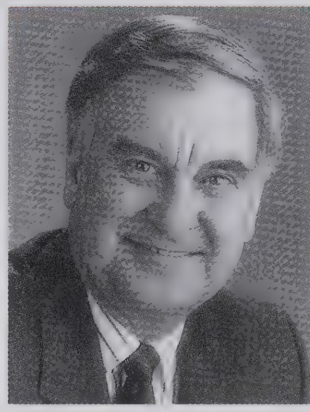
Nominees for election as directors and their beneficial securities ownership

John Hector McArthur, of Boston, Massachusetts, has been Dean of the Faculty, Harvard University Graduate School of Business Administration since 1980. Dean McArthur is a new nominee for election as a director. He is also a director of The Chase Manhattan Corporation, Rohm and Haas Company, Inc., Spring Industries, Inc. and Cabot Corporation.



James Edward Newall, O.C., of Calgary, Alberta, is Vice-Chairman and Chief Executive Officer of NOVA Corporation Ltd., a natural gas services and petrochemicals company. He has served as a director since May 1989 and is a member of the Management Resources and Nominating Committee. He is also Chairman of the Board of Methanex Inc. and a director of Alcan Aluminium Limited, The Molson Companies Limited and Royal Bank of Canada.

BCE common
1,096



Guy Saint-Pierre, O.C., of Montréal, Québec, is President and Chief Executive Officer of SNC-Lavalin Group Inc., an engineering-construction company. He had first joined SNC Group Inc. in January 1989, as President and Chief Operating Officer. Mr. Saint-Pierre is a new nominee for election as a director. He is also a director of General Motors of Canada Limited, Alcan Aluminium Limited, Royal Bank of Canada and Purolator Courier Ltd.

BCE common
436

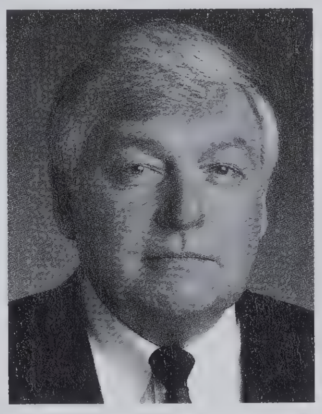
Nominees for election as directors and their beneficial securities ownership

Abbreviations

NTL = Northern Telecom Limited, **BCE Mobile** = BCE Mobile Communications Inc., **NewTel** = NewTel Enterprises Limited

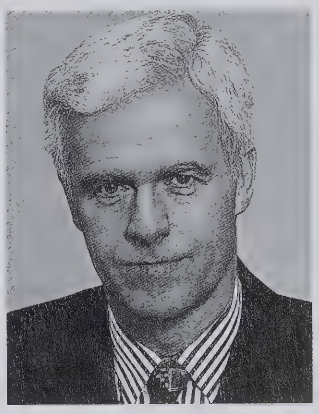
Louise Brais Vaillancourt, C.M., of Outremont, Québec, is a company director. She is also active in the areas of higher education and health research as well as in non-profit organizations. She has served as a director since January 1975 and is Chairman of the Pension Fund Policy Committee. She is also a director of National Bank of Canada, Air Canada and AXA Insurance.

BCE common
742
NTL common
400



Lynton Ronald Wilson, of Montréal, Québec, is Chairman, President and Chief Executive Officer of the Corporation. He has served as a director from May 1985 to September 1989 and continuously since November 1990, and is a member of the Pension Fund Policy Committee. He is also a director of Bell Canada, NTL, BCE Mobile, Teleglobe Inc., Chrysler Corporation, Stelco Inc. and Tate & Lyle PLC.

BCE common
31,401
NTL common
1,694
NewTel common
500



Victor Leyland Young, of St. John's, Newfoundland, is Chairman and Chief Executive Officer of Fishery Products International Limited, a Newfoundland-based international seafood harvesting, processing and marketing company. He has held this position since November 1984. Mr. Young is a new nominee for election as a director. He is also a director of Royal Bank of Canada and McCain Foods Limited.

BCE common
50
NewTel common
250

Directors' and Officers' Remuneration

Report on executive compensation

Compensation philosophy

The objective of the executive compensation policy is to assist in attracting and retaining executives, and in motivating them to achieve individual and group performance objectives consistent with creating shareholder value and advancing BCE's corporate success.

The compensation philosophy of BCE is to offer a total cash compensation based on a comparator group of major Canadian corporations. A substantial part of the total cash compensation is contingent upon corporate and individual performance. In addition, there is a long-term incentive program designed to motivate the attainment of longer-term objectives and to ensure reasonable opportunities for capital accumulation.

Composition of the compensation committee

The Management Resources and Nominating Committee ("MRNC") of the Board of Directors is responsible for the administration of the executive compensation policy. The MRNC makes recommendations with respect to executive compensation, which are then subject to approval by the Board of Directors.

The members of the MRNC were in 1994 Ralph M. Barford, C. William Daniel, J. Edward Newall and C. Richard Sharpe. The Chairman was Mr. Barford. The MRNC met six times during 1994.

No members of the MRNC are employed by the Corporation or its affiliates, and no member is a former officer or employee of the Corporation or its affiliates. The Chairman, President and Chief Executive Officer of the Corporation, Mr. L.R. Wilson, served in 1994 as a member of the compensation committee of Bell Canada. Mr. J.V.R. Cyr, who served as a director of the Corporation in 1994, serves as Chairman of the Board of Bell Canada in a non-executive capacity. As a corporate practice, Mr. Wilson attends all MRNC meetings except when matters pertaining to him are discussed. Mr. Wilson does not vote at MRNC meetings.

Executive compensation policy

The BCE executive compensation policy was developed in support of the following objectives:

- pay for performance;
- staff a strategic management company with high-calibre specialists and accomplished managers;
- emphasize longer-term results;
- align executive and shareholder interests;
- be internally equitable, reflecting levels of responsibility, and enabling BCE to attract and retain the human resources required;
- meet future overall staffing needs;
- promote the development of human resources among subsidiary and associated companies.

The policy comprises the following elements:

- total cash compensation based on competitive rates. This cash compensation is comprised of salary and annual short-term incentive awards;
- a long-term incentive program;
- a benefit package, to provide adequate coverage for the executive and his/her family in case of sickness, disability, retirement or death;
- a competitive perquisites package providing some flexibility for specific personal and financial needs.

The MRNC undertakes periodic reviews of BCE's executive compensation policy to ensure its continued effectiveness in meeting the above objectives.

Total cash compensation: salary and short-term incentive

Total cash compensation, which comprises salary plus annual short-term incentive awards at target levels, is compared to a group of 21 widely-held Canadian corporations which have annual revenues in excess of $1 billion. Such total cash compensation levels are set to reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal equity). The total cash compensation is positioned at the 75th percentile, *i.e.* 25 per cent of the companies pay more and 75 per cent of the companies pay less.

Salary:

Positions of officers, like all others in the Corporation, are formally evaluated using a widely accepted job-scope evaluation system, which produces a specific number of evaluation points. A salary predictor line, based on these evaluation points and the comparator group, determines the positions' salary mid-points*. The resulting salary mid-points are then tested against another widely accepted approach, *i.e.* that of direct market comparison with similar positions of other corporations. The results of these two approaches have been within five per cent of one another.

(* Note: The salary mid-point is commonly employed compensation terminology and reflects the positions' responsibilities and the market. Salaries are administered between a minimum and a maximum of the salary range, normally 80 per cent to 120 per cent of the mid-point.)

Effective with the year 1995, the salary policy has been altered to ensure that executives are paid a base salary at the median of the comparator group while leaving total cash compensation at the 75th percentile. In order to move salaries to this median level, the MRNC has maintained unchanged for 1995 the salary mid-points of the executive group until the median of the comparator group reaches the salary mid-point of each level of the executive group. The exception to this is the salary treatment of the chief executive officer which is described under **Determination of the chief executive officer's compensation**.

Annual short-term incentive awards:

Annual short-term incentive awards are based upon two factors:

(1) corporate performance – this is assessed on the basis of strategic business objectives and quantifiable financial targets both set at the beginning of the year as the Corporate Mandate by the Board of Directors. Strategic business objectives might include, for example, the sale of non-strategic assets or the strengthening of the management team. Quantifiable financial targets might include, for example, earnings per share or contribution to income from core businesses, and

(2) individual contribution – this is evaluated on the basis of criteria which affect corporate performance, including succession planning and management development.

On the basis of the above factors, the MRNC determines the size of the annual short-term incentive award as a percentage of salary mid-point. The MRNC, as part of the executive compensation policy, has established target awards ranging from 25 per cent of the salary mid-point for the lowest eligible officer position to 50 per cent for the Chairman, President and Chief Executive Officer. Actual awards may vary between zero and twice the target awards depending on achievement of the above factors.

Executive officers' short-term incentive awards are more dependent on the corporate performance factor than on the personal contribution factor. The relative weighting of these two factors tends to equalize the lower the rank of the officer.

In addition, where an executive officer of the Corporation is also an officer of a subsidiary, the MRNC may recommend a short-term incentive award based upon the additional contribution of the executive officer to the Corporation; such short-term incentive award may be in addition to the compensation established by the subsidiary corporation.

Special awards:
In addition to annual short-term incentive awards, special awards may be exceptionally granted to recognize specific individual contributions. Special awards are included under "Bonus" in the **Summary compensation table**.

Long-term incentive – Stock Option Plan

Options to purchase common shares are granted to officers and other key employees of the Corporation. In addition, the MRNC may, at its discretion, recommend granting options to key employees of BCE's subsidiaries. Stock option awards vary according to salary level, do not take outstanding options into account and are designed to motivate decision-making in a longer-term perspective. Target grant levels range from 60 per cent for the lowest eligible officer position to 150 per cent of the salary mid-point depending on the position of the incumbent. For example, the target grant at the CEO level is 150 per cent, at the Executive Vice-President level, 75 per cent and so on, decreasing to 60 per cent at the lowest eligible officer level. Stock option awards permit the purchase of shares at the average closing price of the Corporation's common shares on The Toronto Stock Exchange and The Montreal Exchange ("Market Value") the day prior to the effective date of the grant of the options. The MRNC may, at its discretion, vary target levels in any given year up to a maximum of two times target.

Options must be exercised within ten years of the grant. The right to exercise an award of options in its entirety gradually accrues over a period of four years, with the exception of the November 23, 1994 awards which vest gradually after the third, the fourth and the fifth year following the grant of options. The exercise price payable for each common share covered by an option is 100 per cent of the Market Value of a common share on the last trading day prior to the effective date of the grant of each option. Options granted since 1992 vest immediately at retirement and remain exercisable for five years after retirement without extending, however, the original expiration date. Simultaneously with the granting of an option, rights to a Special Compensation Payment ("SCP") may be granted. The SCP is a cash payment representing the excess of the Market Value of the shares on the date of exercise over their Market Value on the date of grant of the SCP. The SCPs are provided for the purpose of paying taxes upon the exercise of an option. When SCPs are attached to options, the SCPs are triggered when the options are exercised.

Determination of the chief executive officer's compensation

Salary:
For 1994, the salary mid-point for the Chairman, President and Chief Executive Officer, L.R. Wilson, remained at $871,200 which was unchanged from the previous year. A salary increase to this level was deferred on January 1, 1994 at Mr. Wilson's request in light of the preceding year's financial results and Mr. Wilson's salary remained unchanged at $802,000. The MRNC has this year set Mr. Wilson's salary at $871,200 effective January 1, 1995, within the framework of a 1995 salary mid-point of $929,000 which represents the market median.

Annual short-term incentive:
At the beginning of 1994, the Board of Directors of the Corporation set the target amount for Mr. Wilson's short-term incentive award for meeting all objectives of the Corporate Mandate, as previously discussed under **Total cash compensation: salary and short-term incentive,** at 50 per cent of his salary mid-point or $435,600. However, the MRNC determined that Mr. Wilson not only met, but in fact, exceeded the objectives of the Corporate Mandate and therefore recommended, and the Board of Directors approved, that Mr. Wilson receive an annual short-term incentive of $590,000 in respect of 1994. The relative weight assigned to the corporate performance factor and the personal performance factor were 75 per cent and 25 per cent respectively. The determination of the award was principally based on the fact that in 1994, not only did the Corporation return to profitability with net earnings of $1.178 billion compared to a net loss of $656 million in 1993, but such improvement in earnings exceeded the target level set for this purpose for 1994 in the Corporate Mandate. The award also reflects Mr. Wilson's leadership and vision as well as his personal commitment in strengthening the management team in the BCE group of companies. Mr. Wilson requested that he receive his short-term incentive award in BCE common shares. Accordingly, Mr. Wilson's annual short-term incentive award has, after tax withholdings, been applied to the purchase of 6,320 BCE common shares in the open market.

Long-term incentive:
The Chairman, President and Chief Executive Officer's target stock option award as per corporate policy is 150 per cent of the salary mid-point.

In January 1994, the Chairman, President and Chief Executive Officer was awarded 27,990 stock options at an exercise price of $46.6875, or 150 per cent of his 1993 salary mid-point ($871,200). The stock options were matched with an equal number of SCPs.

Certain named executive officers

One of the named executive officers is J.D.M. Davies, who joined the Corporation in July 1993 while remaining an employee of Northern Telecom Limited ("NTL"). Arrangements with BCE and NTL are described under **Compensatory arrangements**. Mr. Davies' compensation from NTL during the financial year ended December 31, 1994, was determined separately by NTL and its Board of Directors.

Another named executive officer, T.J. Bourke, is President and Chief Executive Officer of Tele-Direct (Publications) Inc. ("Tele-Direct"). His compensation is independently determined by the Board of Directors of Tele-Direct. Mr. Bourke's compensation elements, and their determination, are essentially similar to that of a BCE senior vice-president, except that Tele-Direct has its own Officer Incentive Plan which ties its short-term incentive payout to its specific corporate objectives, which are set out at the beginning of the year, in addition to recognizing individual contribution. This plan was developed with the help of an outside consulting firm and recognizes the unique and distinct nature of Tele-Direct's domestic and international operations. Mr. Bourke, in his capacity as the Corporation's Group Vice-President, Directories, has received a special award from BCE for 1994 amounting to $23,150 for the strategic positioning of the directories business, both domestically and internationally. As President and Chief Executive Officer of Tele-Direct, Mr. Bourke was awarded a short-term incentive for 1994 of $51,850 by Tele-Direct.

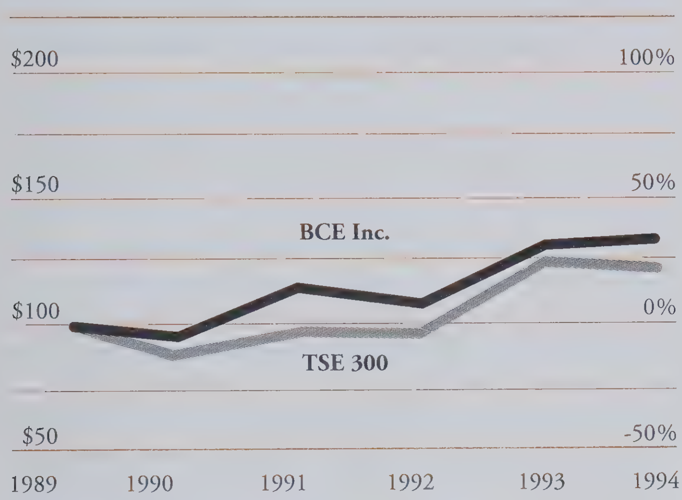
Another named executive officer, D.H. Burney, is Chairman and Chief Executive Officer of Bell Canada International Inc. ("BCI"). Effective with the year 1994, his compensation was independently determined by the Board of Directors of BCI. Mr. Burney's compensation elements, and their determination, are essentially similar to that of a BCE executive vice-president. BCI has its own short-term incentive plan and the size of the awards is based on the achievement of its own corporate objectives, which are set out at the beginning of the year, in addition to recognizing individual contribution. Mr. Burney, in his capacity as the Corporation's Executive Vice-President, International, has received a special award from BCE for 1994 amounting to $30,000 for his contribution to the Corporation's public affairs and government relations. As Chairman and Chief Executive Officer of BCI, he was awarded a short-term incentive for 1994 of $195,000 by BCI.

Another named executive officer, G.T. McGoey, left the Corporation to become Chief Corporate Officer of Bell Canada on November 14, 1994. His compensation from Bell Canada is independently determined by the Board of Directors of Bell Canada. Mr. McGoey's 1994 short-term incentive award has been determined by the BCE Board of Directors in accordance with the Corporation's policy. His arrangement with Bell Canada is described under **Compensatory arrangements** and **Pension arrangements**.

Report presented by:
R.M. Barford, Chairman
C.W. Daniel
J.E. Newall
C.R. Sharpe

Shareholder return performance graph

The graph below compares the yearly percentage change in the cumulative total shareholder return on the Corporation's common shares against the cumulative total shareholder return of the TSE 300 Composite Index for the five-year period commencing December 31, 1989, and ending December 31, 1994*.



1989 = $100

BCE Inc.					
$100	92	118	109	129	133
TSE 300					
$100	85	95	94	125	124

* Assumes that the initial value of the investment in the Corporation's common shares and in the TSE 300 Composite Index was $100 on December 31, 1989, and that all subsequent dividends were reinvested. All prices for the Corporation's common shares were taken from The Toronto Stock Exchange's records.

Compensatory arrangements

As a general rule, senior executives from within the BCE group of companies have no employment contracts for a fixed term. However, those hired mid-career from outside the BCE group of companies are typically engaged on the basis of an offer of employment which for the most part deals with the special pension arrangements as described under **Pension arrangements**.

Pursuant to the terms of an offer of employment to Mr. Wilson dated October 24, 1990, standard survivor benefits are supplemented by temporary life insurance to provide a total survivor benefit of 60 per cent of base salary prior to age 55. The cost of this insurance is disclosed under "All other compensation" in the **Summary compensation table**.

Pursuant to the terms of an offer of employment to Mr. McGoey dated May 22, 1991, BCE undertook to pay interest for a period of five years until August 1996 on a personal loan that Mr. McGoey arranged with a Canadian chartered bank. Interest on the loan paid during 1993 and 1994 forms part of the cash compensation disclosed under "Other annual compensation" in the **Summary compensation table**. Mr. McGoey undertook to reduce this personal loan by $25,000 on each anniversary date. In addition, BCE agreed to support Mr. McGoey's appointment to several Boards in the BCE group, which inferred a certain level of directors' fees from subsidiaries and associated companies. Mr. McGoey became Chief Corporate Officer of Bell Canada effective November 14, 1994. Under the terms of an agreement between Bell Canada and Mr. McGoey dated October 24, 1994, upon the recommendation from Bell Canada he was granted 30,000 BCE stock options with matching SCPs on November 23, 1994, a third of which will vest in three years, another third in four years, and the last third in five years from the grant. This grant is disclosed under "Securities under options/SARs granted" in the **Summary compensation table** as well as in the **Option/SAR grants table**. In addition, Mr. McGoey was promised by Bell Canada participation in a stock unit plan proposed to be established in 1995, with stock units notionally equivalent to BCE common shares and having a value at time of grant equal to two times his annual salary rate upon hire. Such units would vest at the end of a three-year period, in whole or in part, or be forfeited, depending on the degree of achievement, over such three-year period, of performance targets to be approved by the Board of Directors of Bell Canada. On each BCE common share dividend payment date additional stock units would be credited to Mr. McGoey's account, the number of which would be calculated, in respect of stock units already credited and not forfeited, with reference to dividends on BCE common shares. The units would be payable half in cash and half in BCE common shares after cessation of employment. Under the terms of the October 24, 1994 agreement, a transition plan annual incentive pool has also been set up which will allow Mr. McGoey to earn, in addition to Bell Canada's annual short-term incentive, up to 30 per cent of his annual salary rate for the achievement of superior performance targets or outstanding personal achievements. BCE also agreed to continue its arrangement with respect to the payment of interest on the personal loan as described earlier in this paragraph. In addition, BCE agreed to maintain the arrangement described above whereby Mr. McGoey received a certain level of directors' fees, and agreed to pay Mr. McGoey $150,000 per annum in this respect less any amounts received as directors' fees from BCE group companies.

Pursuant to the terms of a contractual arrangement between BCE and Mr. Davies, dated November 29, 1993 but effective as of October 6, 1993, Mr. Davies was guaranteed a net after-tax annual salary of US $100,000. In addition, BCE agreed to pay spousal travel costs between the United States and Montréal up to an amount of US $10,000 per year and property management costs related to Mr. Davies' principal residence in the United States in the amount of US $925 per month. The travel and property management costs are disclosed under "All other compensation" in the **Summary compensation table**. BCE also agreed to make available to Mr. Davies a furnished apartment in Montréal. Mr. Davies is not entitled to participate in BCE's annual short-term incentive and long-term incentive programs, nor in BCE's benefit and pension programs. From July 1 to October 6, 1993, BCE reimbursed NTL 50 per cent of the salary paid by NTL to Mr. Davies for services rendered to BCE.

Pursuant to the terms of a consulting agreement between Mr. Davies and NTL dated as of October 10, 1993 and under the contractual arrangement with BCE mentioned above, Mr. Davies may be asked to provide consulting services to NTL at BCE's or NTL's request. NTL would then pay BCE for the services provided by Mr. Davies on a time spent basis whereas BCE would pay Mr. Davies US $1,500 per diem, plus expenses, less withholdings. Such payments would be in addition to the salary described above.

Mr. Davies was entitled, in 1993 and until January 31, 1994, to participate in the compensation and benefit programs generally available to all NTL senior officers. From February 1, 1994 to January 31, 1995, Mr. Davies was on a Leave of Absence prior to Pension during which he was entitled to receive an amount equivalent to his salary and to participate in the benefit programs generally available to all NTL retired senior officers. In addition, in 1993 the Management Resources and Compensation Committee of the Board of Directors of NTL awarded Mr. Davies an additional 5.58 years of pension credit to compensate him for a two-year delay in the commencement of his retirement, which delay was requested by NTL.

Mr. Davies also entered into an agreement with NTL dated September 18, 1990 stipulating that NTL would relocate him at any time during the first two years of his retirement to a new place of residence within a one thousand mile radius of Washington, D.C., and that any capital loss incurred on the sale of his residence would be reimbursed by NTL.

Executive compensation table

The following table (presented in accordance with applicable law) sets forth the annual and long-term compensation for the financial years ended December 31, 1994, 1993 and 1992 for the chief executive officer and the four other most highly compensated executive officers of the Corporation for 1994. The table also includes a person who ceased to be an executive officer upon leaving the Corporation to join Bell Canada during the year. Those listed in the table are hereinafter referred to as the "named executive officers". Information on the compensation of the executive officers of the Corporation's two major subsidiaries, Bell Canada and Northern Telecom Limited ("NTL"), can be found, respectively, in the Annual Information Form of Bell Canada and in the Proxy Circular and Proxy Statement of NTL.

Summary compensation table

		Annual compensation			Long-term compensation	
					Awards	
Name and principal position (1)	Year	Salary ($) (2)	Bonus ($) (3)	Other annual compensation ($) (4) (8)	Securities under Options/ SARs granted (#) (5)	All other compensation ($) (6) (8)
L.R. Wilson	1994	802,000	590,000*	162,629	27,990	218,811
Chairman, President and	1993	738,500	0	–	24,850	221,791
Chief Executive Officer	1992	596,250	540,000	–	25,674	–
D.H. Burney	1994	350,000	225,000	–	5,665	10,933
Executive Vice-President, International	1993	316,346	113,800	–	10,000	75,372
(Chairman and Chief Executive Officer, Bell Canada International Inc.)	1992	–	–	–	–	–
T.J. Bourke	1994	230,000	75,000	–	3,738	30,576
Group Vice-President, Directories	1993	218,000	93,000	–	3,948	27,460
(President and Chief Executive Officer, Tele-Direct (Publications) Inc.)	1992	210,000	112,070	–	6,887	–
J.D.M. Davies (7)	1994	717,220	25,406	20,489	–	35,548
Senior Vice-President,	1993	478,621	0	19,347	14,000	11,998
Corporate Strategy	1992	–	–	–	–	–
J.J. Fridman	1994	237,000	168,100	–	3,337	40,795
Senior Vice-President, Law	1993	237,000	70,000	13,212	3,528	41,995
and Corporate Secretary	1992	230,000	80,000	–	6,151	–
G.T. McGoey	1994	361,600	314,400	30,774	35,665	146,947
Chief Corporate Officer of Bell Canada and	1993	325,000	0	35,745	5,989	158,126
former Executive Vice-President and Chief Financial Officer of the Corporation	1992	310,000	141,500	–	9,070	–

***Note: At Mr. Wilson's request, the after tax amount of his short-term incentive award for 1994 has been applied to the purchase of BCE common shares in the open market. Accordingly, the Corporation has withheld and remitted federal and provincial taxes in the amount of $312,346 and the balance was used to purchase for Mr. Wilson 6,320 BCE common shares.**

(1) Mr. Wilson joined the Corporation in November 1990 as President and Chief Operating Officer. He was appointed Chief Executive Officer in April 1992, while remaining President, and Chairman of the Board in April 1993, while remaining President and Chief Executive Officer.

Mr. Burney joined the Corporation in January 1993. Mr. Davies became an executive officer of the Corporation in July 1993; he remained during 1993 and until January 31, 1994 an employee of NTL although utilizing accrued vacation days from October 7, 1993 to January 31, 1994 and, on February 1, 1994, he ceased to be an active employee of NTL, being on a Leave of Absence prior to Pension. Mr. Fridman was Senior Vice-President, Law until January 1995 when he was appointed Senior Vice-President, Law and Corporate Secretary. Mr. McGoey was Executive Vice-President and Chief Financial Officer of the Corporation until November 1994 when he joined Bell Canada and was appointed Chief Corporate Officer.

The following named executive officers received all or part of their compensation, other than directors' fees, from subsidiaries of BCE as follows: Mr. Burney from Bell Canada International Inc. ("BCI") (formerly BCE Telecom International Inc.), Mr. Bourke from Tele-Direct (Publications) Inc., Mr. Davies from NTL and Mr. McGoey from Bell Canada.

(2) Includes statutory payment in lieu of vacation made to:

— Mr. Burney, upon his transfer in July 1993 from the payroll of the Corporation to that of BCE Telecom International Inc. (now BCI) in the amount of $16,873;

— Mr. McGoey, upon his transfer in November 1994 from the Corporation to Bell Canada in the amount of $11,600.

Although Mr. Wilson's 1994 salary was not increased, the salary disclosed in the table for 1994 is higher than for 1993 due to the fact that a salary increase was granted to Mr. Wilson during 1993 further to his appointment as Chairman of the Board of the Corporation.

The salaries of Messrs. Wilson and Burney for the years 1993 and 1992 have been restated to exclude the payment of the health program allowance discussed in note (6) below. The payment of this health program allowance in 1994 and 1993 is reported under "All Other Compensation". Refer to note (6).

(3) Includes payments made under the BCE short-term incentive program in respect of each of the financial years. In the case of Mr. Burney, the 1994 bonus includes $195,000 awarded by BCI, as described under **Certain named executive officers**. Mr. Burney's 1993 bonus of $113,800 was guaranteed pursuant to the terms of his offer of employment from BCE. For Mr. Davies, a bonus of $25,406 was awarded under the NTL Senior Management Incentive Award Plan in respect of 1994; as was the case of all other NTL officers, no bonus was awarded for Mr. Davies in respect of 1993. In the case of Mr. Bourke, bonuses include amounts awarded by Tele-Direct (Publications) Inc., as described under **Certain named executive officers** ($51,850 for 1994, $68,000 for 1993 and $77,070 for 1992).

This amount includes special awards granted by BCE in respect of 1994 to D.H. Burney of $30,000, T.J. Bourke of $23,150, J.J. Fridman of $75,000 and G.T. McGoey of $150,000, in respect of 1993 to T.J. Bourke of $25,000 and J.J. Fridman of $35,000, as well as in respect of 1992 to T.J. Bourke of $35,000.

(4) "Other annual compensation" includes, in the case of:

— Mr. Wilson, Special Compensation Payments ("SCPs") upon exercise of stock options in 1994 in the amount of $162,629;

— Mr. Davies, imputed interest of $20,489 and $19,347 on an interest free housing loan provided by Northern Telecom Inc., a subsidiary of NTL, in 1994 and 1993, respectively;

— Mr. Fridman, SCPs upon exercise of stock options in 1993 in the amount of $13,212;

— Mr. McGoey, interest of $30,774 and $35,745 paid by BCE in 1994 and 1993, respectively, on a personal loan that he arranged with a Canadian chartered bank, pursuant to the terms of his offer of employment from BCE.

BCE executive officers participate in a supplementary health plan for BCE officers only. This plan is considered a perquisite.

Perquisites and other personal benefits for named executive officers are not included since they did not exceed minimum threshold disclosure levels in 1994 and 1993.

(5) Options granted under the Long-Term Incentive (Stock Option) Program (1985) of the Corporation except for Mr. Davies.

Options granted to D.H. Burney in 1993 were pursuant to the terms of his offer of employment from BCE dated September 8, 1992.

On January 28, 1993, 14,000 options for common shares of NTL were granted to Mr. Davies under the NTL 1986 Stock Option Plan. At such time, Mr. Davies was not an executive officer of the Corporation.

Of the 35,665 options granted to G.T. McGoey in 1994, 30,000 were granted upon recommendation from Bell Canada, on November 23, 1994 further to his appointment at Bell Canada.

SCPs were attached to all options granted in 1992, 1993 and 1994 to the named executive officers (except Mr. Davies) under the BCE Long-Term Incentive (Stock Option) Program (1985). These SCPs are cash payments equal to the gain upon exercise of an option and are provided for the purpose of paying taxes upon exercise of an option. Freestanding SARs cannot be granted under the BCE plan.

(6) "All other compensation" includes directors' fees paid by BCE subsidiaries (and in the case of Mr. McGoey, associated companies), company contributions under the BCE Employees' Savings Plan (1970) which is described below, in the case of Messrs. Wilson, Burney and Fridman, a health program allowance paid by BCE and certain subsidiaries, as well as, in the case of:

— Mr. Wilson, payment for life insurance premiums in the amount of $7,485 in 1994 and 1993;

— Mr. Burney, miscellaneous expense allowance of $54,167 paid in 1993 under the Corporation's relocation policy;

— Mr. Davies, contribution of $7,573 and $6,960 to Mr. Davies' account under the Northern Telecom Inc. Long-Term Investment Plan in 1994 and 1993, respectively, property management costs in the amount of $15,199 and $3,564 paid by BCE in 1994 and 1993, respectively, and spousal travel costs in the amount of $12,776 (US $9,354) and $1,474 (US $1,143) paid by BCE in 1994 and 1993, respectively; and

— Mr. McGoey, additional cash payments in the amount of $76,915 and $58,226 in 1994 and 1993, respectively, consistent with the intent of the offer of employment which inferred a certain level of directors' fees from subsidiaries and associated companies.

Under the BCE Employees' Savings Plan (1970), BCE employees, including executive officers, are eligible to make a basic contribution of two, four or six per cent of their basic wages with provision for an additional two or four per cent supplementary contribution towards the purchase of BCE common shares. BCE contributes to the plan at the rate of $1 for every $3 of an employee's basic contribution. In 1994 and 1993, all executive officers of BCE, except J.D.M. Davies, benefited from company contributions under the plan.

The health program allowance mentioned above is equal to 1.5% of salary and is paid by BCE and certain subsidiaries to all management employees residing in the Province of Québec. The 1993 amounts reported under "All Other Compensation" for Messrs. Wilson and Burney have been restated to include the payment in 1993 of such health program allowance.

(7) Mr. Davies' salary reflects amounts received from NTL and the Corporation. The compensation elements which were paid by NTL in U.S. dollars have been reported in Canadian dollars using an average annual exchange rate of 1.3659 for 1994 and of 1.2898 for 1993.

(8) In accordance with applicable law, amounts of "Other annual compensation" and "All other compensation" have not been included for the financial year 1992.

Stock options

The following table sets forth individual grants of stock options under the Long-Term Incentive (Stock Option) Program (1985) of the Corporation during the financial year ended December 31, 1994 to each of the named executive officers. No stock options were granted to Mr. Davies in the financial year ended December 31, 1994 under the NTL 1986 Stock Option Plan.

Option / SAR grants during the most recently completed financial year

Name	Securities under options / SARs granted (#) (1) (2)	% of Total options / SARs granted to employees in financial year (2)	Exercise or base price ($ / Security)	Market value of securities underlying options / SARs on the date of grant ($ / Security) (2)	Expiration date
L.R. Wilson	27,990	8.4%	$46.6875	$46.6875	01/25/04
D.H. Burney	5,665	1.7%	$46.6875	$46.6875	01/25/04
T.J. Bourke	3,738	1.1%	$46.6875	$46.6875	01/25/04
J.D.M. Davies	–	–	–	–	–
J.J. Fridman	3,337	1.0%	$46.6875	$46.6875	01/25/04
G.T. McGoey	30,000	9.0%	$45.6875	$45.6875	11/22/04
G.T. McGoey	5,665	1.7%	$46.6875	$46.6875	01/25/04

(1) Each option granted under the Long-Term Incentive (Stock Option) Program (1985) of the Corporation (the "Plan") covers one common share of the Corporation. Options are for a term of ten years. Options were granted on January 26, 1994 and will vest over a period of four years of continuous employment, except for 30,000 options which were granted to G.T. McGoey, upon recommendation from Bell Canada, on November 23, 1994 further to his appointment at Bell Canada and which will vest from the third to the fifth year of continuous employment. The Plan is described in the **Report on executive compensation**.

In 1994, a Special Compensation Payment ("SCP") was attached to each option granted to the named executive officers under the Plan. For a description of SCPs, see **Long-term incentive – Stock Option Plan**.

(2) As freestanding SARs have not been granted, the numbers relate solely to stock options.

The following table sets forth details of all exercises of stock options by each of the named executive officers under the Long-Term Incentive (Stock Option) Program (1985) of the Corporation (or in the case of Mr. Davies, under the NTL 1986 Stock Option Plan) during the financial year ended December 31, 1994, and the financial year-end value of unexercised options on an aggregated basis:

AGGREGATED OPTION / SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION / SAR VALUES

Name	Securities acquired on exercise (#) (1)	Aggregate value realized ($) (2)	Unexercised options/SARs at December 31, 1994 (#) (4)			Value of unexercised "in-the-money" options/SARs at December 31, 1994 ($) (3) (4)		
			Exercisable	/	Unexercisable	Exercisable	/	Unexercisable
L.R. Wilson	17,007	$162,629	19,050	/	59,464	$10,873	/	$32,615
D.H. Burney	–	–	2,500	/	13,165	$6,719	/	$20,156
T.J. Bourke	–	–	18,950	/	10,587	$85,734	/	$6,628
J.D.M. Davies	–	–	35,000	/	–	US $28,455	/	–
J.J.Fridman	–	–	19,173	/	9,946	$91,517	/	$9,016
G.T. McGoey	–	–	14,020	/	47,355	$25,086	/	$15,351

(1) Number of common shares of the Corporation acquired on the exercise of stock options. A stock option becomes exercisable when the appropriate vesting conditions are satisfied (for more details, refer to **Long-term incentive–Stock Option Plan**).

(2) Aggregate value realized is calculated using the average of the closing prices for a board lot of common shares of the Corporation on The Toronto Stock Exchange and The Montreal Exchange on the date of exercise, less the exercise price. Excludes an equivalent value received as a Special Compensation Payment which is disclosed in the **Summary compensation table** under "Other annual compensation".

(3) Value of unexercised "in-the-money"* options calculated using the average of the closing prices for a board lot of common shares of the Corporation on The Toronto Stock Exchange and The Montreal Exchange on December 30, 1994, less the exercise price of "in-the-money" options.

In the case of J.D.M. Davies, value of unexercised "in-the-money" options is calculated using the closing price for common shares of NTL on the New York Stock Exchange on December 30, 1994, less the exercise price of "in-the-money" options.

*Note: "In-the-money" options are options that can be exercised at a profit, *i.e.* the market value of the shares is higher than the price at which they may be bought from the corporation.

(4) As freestanding SARs have not been granted, the numbers relate solely to stock options.

Pension arrangements

Except for Mr. Davies, named executive officers participate in the non-contributory defined benefit pension plan of the Corporation or similar plans of its subsidiaries (the "Pension Plan"). In addition, executive officers enter into supplementary executive retirement agreements ("SERPs") which are described more fully in (e) below. The following describes the pensions payable to such officers under the Pension Plan, as supplemented by the SERPs:

(a) Pensions are based on pensionable service and the average of the best consecutive thirty-six months of pensionable earnings.

(b) Pensionable earnings include salary and short-term incentive awards. The short-term incentive award component is subject to a maximum limit. Annualized pensionable earnings for 1994 are as follows: L.R. Wilson $1,237,600, D.H. Burney $473,400, T.J. Bourke $305,000, J.J. Fridman $306,800, and G.T. McGoey $473,400.

As shown in footnote 1 to the **Summary compensation table**, at year-end 1994, Mr. Davies was on a Leave of Absence prior to Pension. BCE has a contractual arrangement with him which specifically excludes pension entitlement. As per NTL's pension arrangements, Mr. Davies became entitled to a pension of US $177,728 per annum from NTL starting February 1, 1995.

(c) For purposes of computing their total retirement benefits, as of January 1, 1995, Mr. Bourke had 35.8 years of credited service and Mr. Fridman, 30.4 years.

Messrs. Wilson, Burney and McGoey have special pension arrangements which are independent of actual credited service years. Their pension entitlements are described in paragraph (e).

(d) The following table shows estimated annual pension benefits payable upon retirement on December 31, 1994, at age 65, to officers in specified average earnings and service classifications. In no case may an officer receive under the basic Pension Plan and the SERP an annual aggregate pension benefit from BCE and its affiliated companies in excess of 70 per cent of average pensionable earnings.

Pension plan table

Pensionable earnings	Credited years of service			
	20	30	40	50
$ 100,000	$ 27,700	$ 40,500	$ 53,200	$ 67,500
300,000	92,500	135,300	178,000	210,000
500,000	157,300	230,100	302,800	350,000
700,000	222,100	324,900	427,600	490,000
900,000	286,900	419,700	552,400	630,000
1,100,000	351,700	514,500	677,200	770,000
1,300,000	416,500	609,300	802,000	910,000
1,500,000	481,300	704,100	926,800	1,050,000
1,700,000	546,100	798,900	1,051,600	1,190,000

Benefits shown above are not subject to any deductions for social security or other offset amounts. The benefits are partially indexed to increases in the Consumer Price Index. More specifically, for retired officers below age 65, the indexation is limited to the increase in the Consumer Price Index to a maximum of 2 per cent. This is referred to as the basic indexation. In addition, once the retired officer reaches age 65, the first $200,000 of annual pension benefits is indexed annually at 60 per cent of the increase in the Consumer Price Index up to a maximum indexation of 4 per cent, if this is greater than the basic indexation.

(e) The typical SERP applicable to all executive officers (except as modified below for Messrs. Wilson, Burney and McGoey) would include five key items:

(i) payments in excess of the Department of National Revenue maximum pensions payable from a registered pension plan ($1,722 per year of pensionable service);

(ii) an additional one-half year of pensionable service credit for each year of service as an officer of the Corporation;

(iii) the pension is calculated on the basis of the best consecutive thirty-six months of pensionable earnings (base salary plus the lesser of actual or target short-term incentive award), as compared to the best consecutive sixty months under the Corporation's basic Pension Plan;

(iv) pensions are delivered on a "single-life" basis with a spousal survivor benefit entitlement of approximately 60 per cent; and

(v) a retirement allowance equal to one year's base salary at time of retirement. (This amount is not included in computing the officer's pensionable earnings.)

BCE has undertaken to make periodic contributions or, at its discretion, to deposit one or more letters of credit or similar instruments to a trust fund for the funding of certain benefits, to which officers who have retired since 1991 were entitled under their SERPs. Such a trusteed arrangement is commonly referred to as a Retirement Compensation Arrangement (RCA).

Mr. Wilson, under the terms of his SERP with BCE, will receive a retirement income of 60 per cent of the average base salary if he has retired at age 55, 65 per cent of the average pensionable earnings at age 60 and 70 per cent of the average pensionable earnings at age 65.

Mr. Burney, under the terms of his offer of employment, was guaranteed a pension at age 65 which would be no less than 35 per cent of the average pensionable earnings.

Mr. McGoey, under the terms of his SERP with BCE, was entitled to a retirement income of approximately 50 per cent of the average base salary if he had retired at age 55, and approximately 70 per cent of the average pensionable earnings at age 65. Under the terms of an agreement between Bell Canada and Mr. McGoey, the terms of his SERP with BCE were maintained by Bell Canada with the addition that Mr. McGoey will be entitled to a retirement income of 60 per cent of average pensionable earnings at age 60.

Indebtedness of Directors and Officers

No director, executive officer or senior officer of the Corporation, or proposed nominee for election as a director of the Corporation, is currently indebted to the Corporation or its subsidiaries, with the exception of Mr. Davies who is an executive officer of the Corporation and whose indebtedness to Northern Telecom Inc. ("NTI"), a subsidiary of Northern Telecom Limited, is shown in the table below. As at January 31, 1995, the aggregate indebtedness of all current and former directors, officers and employees of BCE and of its subsidiaries, to BCE and its subsidiaries, entered into for purposes other than the purchase of securities of BCE and of its subsidiaries was approximately $30,000,000. In addition, BCE and its subsidiaries are paying interest on loans arranged by their officers and employees with third parties for purposes other than the purchase of securities of BCE and of its subsidiaries, which loans amounted in the aggregate to approximately $1,200,000 as at January 31, 1995.

Table of Indebtedness of Directors, Executive Officers and Senior Officers

Name and principal position	Involvement of issuer or subsidiary	Largest amount outstanding during the year 1994	Amount outstanding as at February 15, 1995
J.D.M. Davies (1) Senior Vice-President, Corporate Strategy	NTI as lender	US $500,000	US $500,000
G.T. McGoey (2) Chief Corporate Officer of Bell Canada and former Executive Vice-President and Chief Financial Officer of the Corporation	Payment of interest by BCE	$450,000	$425,000

(1) An interest free relocation loan of US $500,000 was made in 1990 by NTI to Mr. Davies. Mr. Davies must repay the housing loan at the end of the second year after retirement or upon the sale of his residence, whichever is earlier. NTI has a security interest over Mr. Davies' residence.

(2) BCE undertook to pay interest for a period of five years until August 1996 on a personal loan that Mr. McGoey arranged with a Canadian chartered bank. Interest on the loan paid during 1994 and 1993 forms part of the cash compensation disclosed under "Other annual compensation" in the **Summary compensation table**. Refer also to **Compensatory arrangements**.

Compensation of directors

Each director who is not a salaried officer of BCE is entitled to be paid $25,000 per annum for services as a director, a portion of which, effective May 3, 1995, may be used for quarterly purchases of common shares of the Corporation under the Shareholder Dividend Reinvestment and Stock Purchase Plan. That portion may vary between $5,000 and $20,000 per annum. Each director is also entitled to be paid $5,000 per annum per committee for services as a member of any standing committee of the Board and $4,000 per annum for services as chairman of any standing committee of the Board. In all cases, the directors who are not salaried officers of BCE are entitled to an attendance fee of $1,000 per meeting.

During the last completed financial year, some directors of BCE also received compensation from certain subsidiaries of the Corporation for services in their capacity as directors of such subsidiaries. Mr. Wilson was Chairman of the Board of Montreal Trustco Inc. until April 1994 and a director of Bell Canada, NTL and BCE Mobile. Mr. J.V.R. Cyr was Chairman of the Board of Bell Canada and of TMI Communications Inc., and a director of NTL, Montreal Trustco Inc. until March 1994, and BCE Mobile. Mr. R.M. Barford was a director of NTL. Mr. A.J. de Grandpré, who was a director until April 1994, was a director of Bell Canada and NTL. Mr. C.R. Sharpe was a director of Bell Canada. Mr. W.C. Chippindale was a director of Bell Canada and BCE Mobile. Mr. P.A. Allen was a director of Montreal Trustco Inc. Such subsidiaries' standard arrangements for directors' compensation are described in the table below.

As a result of BCE's divestiture of Montreal Trustco Inc. in April 1994, Messrs. Wilson and Cyr ceased to be directors of such company on April 11, 1994 and March 29, 1994, respectively.

	Annual retainer			Attendance fees	
Subsidiaries	Board of Directors	Committees	Committee Chairman	Board of Directors	Committees
Bell Canada (a)	$16,000	$4,000	$4,000	$1,000	$1,000
NTL (b)	US $25,000	US $2,000 (US $3,000[1])	US $2,000	US $1,500	US $1,000
Montreal Trustco Inc.	$9,000	$4,000[1]	$2,000 ($20,000[1]; $5,000[2])	$800	$800
BCE Mobile	$8,000	$1,000	$2,000	$750	$750
TMI Communications Inc.	$6,000	–	$6,000	$600	$600

[1] Executive Committee [2] Audit Committee

(a) In addition to fees normally paid to a director of Bell Canada, Mr. Cyr received a stipend of $100,000 in 1994 from Bell Canada for his services as non-executive Chairman of the Board.

(b) Up to US $20,000 of the Board retainer can be used to purchase NTL shares.

Additional special remuneration, at the rate of US $3,000 per diem, subject to a maximum of US $50,000 per annum, may be paid to any director (other than an employee or officer of NTL) undertaking special services at the request of the Board of Directors, any committee of the Board of Directors or the chief executive officer, beyond those services ordinarily required of a director of NTL.

Each director who is not a salaried employee of, or entitled to a monthly pension or other retirement allowance under a pension plan or like arrangement established by NTL or any of its subsidiaries, is entitled to annual retirement compensation from NTL at the rate of 75 per cent of the greater of $27,500 or the annual board retainer payable when such director ceases to hold office, plus indexed retirement compensation at the rate of 56.25 per cent of any increase in the Board retainer fee. Any such retirement compensation is paid quarterly during the retired director's lifetime, subject to certain survivor income benefits, for a period equal to the lesser of his or her tenure as a director or 10 years (40 quarters).

NTL maintains, at its cost, group life insurance for each individual who holds office as a director of NTL and who neither has been nor is a salaried employee of NTL or of any of its subsidiaries. Such insurance is in an amount of $100,000 while such an individual is a director and in an amount of $75,000 after the retirement of any such individual at or after age 65, or at any lesser age if such individual has then served for not less than 10 years as a director of NTL.

Corporate governance

The Board of Directors is composed of unrelated directors, except for Messrs. L.R. Wilson and J.V.R. Cyr. In arriving at this conclusion, the Board has examined the relationships, past and present, of directors with the Corporation and its subsidiaries, and has included as unrelated directors only those directors who are not, and have not been, executive officers of the Corporation or its subsidiaries, and who are free from any interest and any business or other relationships (other than interests and relationships arising from shareholding) with the BCE Group which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation.

Directors' and officers' liability insurance

Group liability insurance in the aggregate amount of US $125 million (approximately Can. $175 million) is purchased for the protection of all the directors and officers of the Corporation, its subsidiaries and certain of its associated companies against liability incurred by such directors and officers. In 1994, the amount charged against earnings by the Corporation for its portion of the premium paid in respect of its directors as a group was $423,615 and in respect of its officers as a group was $211,808. In any case in which the Corporation is not permitted by law to reimburse the insured, the deductible is nil. Where the Corporation is permitted to reimburse the insured, the deductible is US $500,000 (approximately Can. $701,000).

Information concerning transactions with interested parties

During 1994, Bell Canada, a wholly-owned subsidiary of BCE, purchased telecommunications equipment from NTL, the Corporation's 52.3 per cent owned manufacturing subsidiary, with which four directors of the Corporation were affiliated as a result of also being directors of NTL. Such sales by NTL to Bell Canada and to other telecommunications subsidiary and associated companies of BCE represent approximately 7.0 per cent of NTL's 1994 consolidated revenues.

Additional information

BCE shall provide to any person or company, upon request to the Senior Vice-President, Law and Corporate Secretary of BCE, at 1000, rue de La Gauchetière Ouest, bureau 3700, Montréal (Québec) H3B 4Y7:

(a) one copy of its latest Annual Information Form together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein;

(b) one copy of the comparative financial statements of BCE for its most recently completed financial year together with the accompanying report of the auditors thereon, both contained in BCE's 1994 Annual Report, and one copy of any interim financial statements of BCE subsequent to the financial statements for its most recently completed financial year; and

(c) one copy of this Notice of Annual Meeting 1995 and Management Proxy Circular.

The Annual Information Form is available from the date of its filing with the securities commissions or similar authorities in Canada.

I, the undersigned, Senior Vice-President, Law and Corporate Secretary of BCE Inc., hereby certify that the contents of this Circular, the adoption by way of a directors' resolution of the amendment to By-Law No. 1 set forth in this Circular, and the sending of this Circular to each shareholder entitled to receive notice of the annual meeting, to each director, to the auditors of the Corporation and to the appropriate governmental agencies were approved by the Board of Directors of the Corporation at a meeting held on February 22, 1995.

J.J. Fridman
Senior Vice-President, Law and Corporate Secretary

Montréal, February 22, 1995

Information concerning proxies

To ensure representation of your shares at the meeting, please complete, sign and return your proxy form as soon as possible.

It is important that your shares be represented at the meeting and that your wishes be made known to the directors. This will be assured, whether or not you attend the meeting, if you complete and sign the enclosed proxy form, and return it as soon as possible in the postage-paid envelope provided.

Proxies are counted and tabulated by Montreal Trust Company, the transfer agent of the Corporation, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) as necessary to meet applicable legal requirements, (b) in the event of a proxy contest or (c) in the event a shareholder has made a written comment on the proxy form.

If you are present at the meeting and choose to vote in person on any ballot that may be called, your proxy will not be used; if you do not attend or do not wish to vote in person, your proxy will be voted for or against or withheld from voting in accordance with your wishes as specified thereon on any ballot that may be called at the meeting.

Proxies to be used at the meeting must be sent to the transfer agent of the Corporation, Montreal Trust Company, by mail at Box 580, Station B, Montréal (Québec), Canada H3B 3K3, or delivered in person at 1800, avenue McGill College, 6e étage, Montréal (Québec).

Shareholders residing outside Canada should mail their proxies to BCE's transfer agent at Box 127, Rouses Point, N.Y. 12979-9969, U.S.A.

All proxies must be received by BCE's transfer agent, Montreal Trust Company, prior to 4:45 p.m. (Montréal time) on Monday, May 1, 1995.

Canadian mail service interruption

If there is mail service interruption in Canada prior to mailing by a Canadian shareholder of a completed proxy to BCE, it is recommended that the shareholder deposit the completed proxy, in the envelope provided, at any of the following offices of Montreal Trust Company which has been appointed BCE's agent for this purpose:

Alberta
411 – 8th Avenue, S.W.
Calgary

1101, 10200 – 102nd Avenue
Edmonton

British Columbia
510 Burrard Street
Vancouver

100–747 Fort Street
Victoria

Manitoba
221 Portage Avenue
Winnipeg

New Brunswick
53 King Street
Saint John

Newfoundland
331 Water Street
St. John's

Nova Scotia
1690 Hollis Street
Halifax

Ontario
21 King Street, W.
Hamilton

171 Queens Avenue
London

96 Sparks Street
Ottawa

151 Front Street, W.
8th Floor
Toronto

Prince Edward Island
143 Grafton Street
Charlottetown

Québec
Place Montréal Trust
1800, avenue McGill College
6e étage
Montréal

475, rue Saint-Amable
Québec

Saskatchewan
1778 Scarth Street
Regina

201 Second Avenue, S.
Saskatoon

Shareholders residing outside Canada will not be affected by a Canadian mail service interruption if they use the envelope provided by BCE for the return of their proxy.

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